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GOLD, DOLLARS, AND EMPIRE

THE EDITORS

SOCIAL REVOLUTION IN THE ARAB WORLD

N. B. MILLER

A Road to Socialism BY SHIGETO TSURU

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NOTES FROM THE EDITORS

For several years now rising costs—for paper, printing, labor, and postage—have pointed toward an inevitable increase in subscription and newsstand prices for MR. We have postponed action despite mounting losses (made up from the contributions of MR Associates), but now, alas, the time has come when the prices *must* go up for everyone. It is therefore with regret that we announce that on May 1, 1968, the annual domestic sub price will increase from $6 to $7; the foreign price from $7 to $8, except for the United Kingdom; and the price in the UK, where subs are handled by our London office, from 50 to 60 shillings. The newsstand price will go from 50¢ to 75¢.

(Continued on inside back cover)

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GOLD, DOLLARS, AND EMPIRE

People had been saying for a long time that the pound would have to be devalued, and on November 18th it happened. Britain, presumably under heavy United States pressure, had used up much of its gold and foreign exchange reserves and had gone deep into debt trying to keep the pound at $2.80. But it was all in vain. Persistent balance-of-payments deficits plus inept and ineffective governmental policies convinced international capital that the pound could not be saved, and against this conviction the British government was powerless.

Was the dollar next?

A lot of people with money thought so. In the weeks immediately after the fall of the pound, hoarders and speculators bought hundreds of millions of dollars worth of gold, most of which had to be supplied by the United States Treasury. Though it will not be known until late January or February exactly how much gold the United States lost in this greatest of all "gold rushes," the indications are that the figure will be very large. According to a Treasury announcement of January 3, as summarized by Edwin L. Dale Jr. in the next day's *New York Times*, "total [gold] transfers from the Treasury stock to the Stabilization Fund [through which transactions with foreign countries are handled] in 1967 amounted to $1,175,000,000, of which $925 million was subsequent to the devaluation of the pound." This reduces the Treasury stock to $11.95 billion, down about 8 percent for the year.

This gold was of course bought at the official price of $35 an ounce, and what motivated the purchases was the expectation that the price would have to go up. In simple supply-and-demand terms, the reasoning behind this expectation is as follows: In every year but one since 1949, the United States has paid out to foreigners more than it has received from foreigners. As a consequence foreign governments and central banks and capitalists have accumulated the tremendous sum of 31.2 billion

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United States dollars for which they can demand gold any time they want to. What's more, the continuing deficit in the United States balance of payments, which was sharply up in 1967 to between $3.5 and $4 billion (Johnson's New Year's press conference), is steadily adding to this preponderance of potential demand over actual supply. Sooner or later, the reasoning goes, whatever inhibitions are keeping these foreigners from rushing to cash in their dollars will give way and the actual demand will greatly exceed the actual supply. The United States will then either have to raise the price of gold (devalue the dollar) or stop selling gold (go off the gold standard) which would presumably also result in a rise in the price of gold. Hence the smart thing is to buy gold now and wait for the rise.

The United States government for its part has insisted all along that it is determined to maintain the value of the dollar at the rate of $35 per ounce of gold. So two questions arise: (1) What is the likelihood that it can succeed? And (2) what are the probable consequences if it fails?

Can the Dollar Be Saved?

To begin with we have to distinguish between the short-run and the long-run prospects. Having survived the wave of speculative gold-buying which followed the devaluation of the pound, the dollar may actually be stronger for a while. This is because holding gold is expensive;* and many speculators, seeing that they are not going to make a big killing in a hurry, are likely to sell gold, thus tending to replenish the United States Treasury stock.

But any strengthening of the dollar from this source will of course be purely temporary. In the longer run what matters is the behavior of the United States balance of payments. It was failure to cure a persistent balance-of-payments deficit which eventually toppled the pound, and there is no doubt that the

* We quote from a dispatch from London in the *Wall Street Journal* of January 3rd: " 'It is now costing a gold hoarder about 10½ percent a year in insurance, storage charges and such to hold gold,' says one banker here. 'When you couple that with the fact that an investor can put his money to work and get a 7 percent return without any trouble, it is apparent that the gold hoarder is over 17 percent behind for every year that he has his money in gold bars.' "

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same cause can have the same effect in the case of the dollar. What, then, is the explanation of the United States deficit, and what is the prospect of its elimination?

The answer to the first part of this question is clear enough and can be summed up in one word: imperialism. Senator Jacob Javits, in a press conference in New York on January 4th, practically said as much:

> He traced the country's payments difficulties to expenditures in the defense of Europe and Asia and help to the underdeveloped nations. The war in Vietnam, he said, caused at least 40 percent of the expected deficit for 1967. (*New York Times*, January 5, 1968.)

"Defense of Europe and Asia" (against Europeans and Asians, of course) involves maintaining armed forces all over the world. Quantitatively, according to a Washington dispatch by Edwin L. Dale Jr. in the *New York Times* of January 5th, "the cost of maintaining troops abroad, including those in Vietnam, results in a dollar outflow of more than $4 billion." It is not so easy to put a price tag on "help to the underdeveloped nations," since a multiplicity of programs, both military and civilian, come under the heading. But an idea of the order of magnitude involved can be gathered from the fact that during the first half of 1967 the balance-of-payments item labelled "U.S. Government grants and capital, net" was running at an annual rate of $4.3 billion. (Council of Economic Advisers, *Economic Indicators*, December 1967, p. 25.) The cost to the United States balance of payments of policing and shoring up the American Empire, alias the "Free World," can thus be put at something over $8 billion.* This is enough to eat up all the dollars earned through the United States exporting more goods than it imports (the favorable merchandise balance was running at an annual rate of $4.4 billion in the third quarter of 1967), and to account for the entire 1967 deficit, which, as already noted, Johnson estimated at between $3.5 and $4 billion in his New Year's press conference.

* The *total* cost is of course much greater since the bulk of military spending, even that caused by a war in Southeast Asia, takes place within the United States itself and hence does not enter into the balance of payments.

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It is against this background that we must evaluate the Johnson administration's program "to bring our balance of payments to—or close to—equilibrium in the year ahead," announced on New Year's Day. And the verdict must be that the program is a hodge-podge which does not even touch the heart of the matter and seems most unlikely to succeed in its stated objective.

Not that it may not be possible to trim as much as a billion dollars from the outflow of private capital to foreign countries, with special emphasis on Western Europe. The European economy is in a state of recession at present, and a slowdown of United States investment there would probably occur in the normal course of events. Furthermore, many giant United States corporations are in a position to continue expanding abroad even without the help of dollars from the home office: their size and profitability enable them to compete successfully for capital in the local money markets. Nor is there any reason why the government can't reduce the rate of tourist spending outside the Western Hemisphere, provided of course that Congress will cooperate by passing the necessary legislation. Here, however, the balance-of-payments savings are less certain since foreign countries may well retaliate by discouraging their tourists from coming to the United States. For the rest, the Johnson program is mostly an expression of hopes of what may be saved if other countries feel like helping the United States out of its difficulties. They can, for example, change their method of taxation in such a way as to stimulate American exports; or they can buy more military hardware in the United States; or they can invest more money in United States securities; or they, meaning in this case primarily the West Germans, can pay all or most of the costs of the American troops which occupy their territory. But none of these ideas is particularly new, and to judge from past experience none is very promising. No wonder the *Wall Street Journal's* man in Washington (Richard F. Janssen) opened his lead story on the payments program with the following pessimistic appraisal:

> Will the government's desperate new drive against the runaway balance-of-payments deficit be enough to save the dollar? Despite the initial outpouring of optimism from Johnson

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administration officials, there's a strong undercurrent of doubt among knowledgeable analysts here that the ambitious effort announced on New Year's Day can succeed in its basic aims. "Frankly, I don't see it working," declares one seasoned analyst.

And if the dollar drain does not almost cease, some strategists candidly confess, the U.S. and the world could well be facing a genuine financial crisis in about a year. Should President Johnson's package of controls prove much less than fully effective, "come back next New Year's for the devaluation announcement," says one insider only half in jest. (*Wall Street Journal*, January 3, 1968.)

It is of course hardly surprising that a remedy which fails to touch the root of the problem has little chance of succeeding. For, as we have already emphasized, the reason for the persistent deficit is the high cost of empire; and in this respect the Johnson administration, true to its nature and its record, has not the slightest thought of retrenching. In the words of the statement issued to the press on New Year's Day: "We cannot forego our essential commitments abroad, on which America's security and survival depend." What is meant of course is America's security and survival as boss and exploiter of a world-wide empire.

At this point it is perhaps worthwhile to digress for a moment to deal with a question which may arise in some readers' minds. If the empire costs so much, who needs it? Answer: those who benefit from it—the giant multinational corporations which reap billions of dollars in profits from their global operations. Even in purely balance-of-payments terms, the take of the giants is enormous: during 1966 the flow of dollars to the United States as income plus fees and royalties from direct foreign corporate investments was $5.1 billion. And this takes no account of the additional billions which are paid out or reinvested abroad, or the profits of the $30-billion export business, or the profits of supplying arms and munitions to America's $70-billion military establishment. Nor must it be forgotten that while the benefits of empire accrue to a few hundred giant corporations, the costs are shared by all the taxpayers. The empire is expensive, no doubt about that; but from the point of view of its beneficiaries, who also happen to be in control of the United States government, every dollar spent in holding it together and protecting it against its enemies is a dollar well spent.

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Under these circumstances what the Johnson administration ought to be asking itself is not whether it can *eliminate* the deficit by a few superficial controls and regulations, but rather whether it can realistically hope to keep the deficit from *increasing* in the period ahead. In other words, is it not likely that the cost of empire, like the cost of living, is on the way up?

The answer seems to us to be obviously in the affirmative. Last month in these pages we analyzed the situation in Southeast Asia and came to the inescapable conclusion that the trend there is toward a wider war. The United States military wants it, and there is unfortunately no real evidence that the corporate establishment is prepared to oppose the military in any serious way. No one can predict now how far the escalation will go, but the costs of the war seem almost certain to go on rising for the foreseeable future. If Johnson has any plans for coping with this prospect, he has been altogether successful in keeping them secret.

And then there is the threat of more Vietnams, in Asia itself or in Africa or in Latin America—or maybe even in some tortured country of Europe like Greece or Portugal. When and where are obviously unknowns, but if anything seems certain in this uncertain universe it is that the historically near future will witness great revolutionary struggles in many parts of the world and that the United States will do all in its power to suppress them. In the face of this prospect, to dream of eliminating the deficit in the United States balance of payments is about as realistic as to believe in the liberal utopia of a return to free competition.

Finally, not only are the costs of counter-revolutionary wars likely to go up but also the costs of trying to prevent them. That, in essence, is what help to the underdeveloped countries is all about. And as the impoverished countries of the "third world" sink deeper and deeper into the morass of underdevelopment—as they must, given their rapid increase of population and their rotten colonial and neocolonial economies and social structures—their frightened oligarchies will increasingly appeal to the mother country for food to feed the starving and guns to shoot the rebellious. The Congress may balk, as it did in 1967 by cutting the "foreign aid" appropriation, but the result will only be to hasten the coming of more Vietnams.

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The realistic prospect is thus an expanding, not a contracting, deficit in the months and years ahead. And this in turn means that the likelihood that the dollar can be saved—in the sense of remaining freely exchangeable for gold at $35 an ounce—is very small indeed.

From the Gold Standard to the Dollar Standard?

When the United States goes off gold, the chances are that other countries still remaining on the gold standard will follow suit and a regime of fluctuation exchange rates will ensue. This is nothing new, at least not in principle; in fact, it has long been advocated by a respectable school of monetary theorists. Attempts may be made to revive the gold standard at a new parity—say, $70 an ounce with other currencies being correspondingly revalued*—but it is hard to see how general agreement could be reached and it is more likely that gold will finally lose its role as the indispensable flywheel in the "free world's" monetary mechanism. This is, after all, a logical historical step since, as Schumpeter put it, "an automatic gold currency is part and parcel of a laissez-faire and free-trade economy.** It is, to be sure, a long time since the gold standard could be said to operate "automatically," but still that it has continued to exist at all is testimony to the fact that up to now an international economy containing at least half-way independent national capitalist units has remained in operation. What now appears to be happening is that the United States is moving to stake out a claim to full dominance over the entire capitalist world, and in this context the gold standard—buttressing, however feebly, what is left of the independence of a country like France—is simply an obstacle to be got rid of. This murder of the gold standard will apparently take place

* For an analysis of what this might mean, see the article "The Growing Financial Crisis in the Capitalist World," by David Michaels, MR, December 1966. Two other articles in that issue of MR, one by the editors and one by Jacob Morris, should also be helpful in understanding the present international monetary situation.

** Quoted by Jacob Morris in "Marx as a Monetary Theorist," *Science & Society,* Fall 1967, p. 406. This article also helps to clarify the role of gold under capitalism, as well as Marx's monetary theories.

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not deliberately and in cold blood but after a suitable show of trying to save its life and under the seeming *force majeure* of a financial crisis and run on the dollar.

After the gold standard, what?

From the point of view of United States imperialism, there can naturally be the only one answer: the dollar standard. The subordinate units of the empire will be expected to hold their reserves in dollars, perhaps somewhat disguised by a label provided by the International Monetary Fund, and to accept additional dollars as the United States chooses to pay them out in the form of balance-of-payments deficits. Imperialism's monetary theorists consider this to be an excellent arrangement on two counts. First, the "free world's" need for an expanding currency base, at present threatened by a shrinking supply of monetary gold, will be fully and flexibly met.* And second, the United States will be able to continue running the deficits which, as we have already seen, are part of the indispensable costs of empire.

The "only" question is whether the other nations of the capitalist world will go along, accepting their role as neocolonies of the United States and tacitly agreeing to bear a share, through holding increasing numbers of surplus dollars, of the costs of keeping the empire together.

Many, apparently including Great Britain, have already made their decision: they will do whatever they are told to do. But France and the Common Market still present a big question mark. At the moment, to be sure, even de Gaulle seems more inclined to talk independence than to act it. But one has to reckon with the possibility that the situation will change quite drastically in the next year or so. If the United States, as now seems likely, plunges ahead into an ever-expanding war on the Asian mainland, its strength and bargaining power in the rest of the world will steadily ebb. And under these circumstances, it is not far-fetched to assume that not only France but the Common Market as a whole might elect to fight United States

* The shrinkage of the supply of monetary gold comes from an increased demand for industrial and hoarding purposes on the one hand and a stable or perhaps even declining rate of production of new gold on the other.

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imperialism rather than join it. In monetary terms this would mean establishing a rival currency block into which as many client states as possible would be drawn. Tariff and trade wars would again become the order of the day, as during the 1930's. And the Europeans would probably be tempted to try to make rather far-reaching tactical alliances with the socialist countries.

We are not predicting that this will happen, still less what the outcome of such renewed inter-imperialist rivalry might be. But it does seem to be a development well worth watching for as the dynamics of the present infinitely complex international situation unfold in the months and years ahead.

(January 8, 1968)

The picture of a great and wealthy nation mobilizing each month more and more of its unparalleled technological might to bring a tiny, long-suffering, dark-skinned nation to capitulation means clearly that the more we win the more we lose and each American soldier dead or wounded is a useless sacrifice.

—Rev. Dr. Eugene Carson Blake, General Secretary, World Council of Churches, April 26, 1967

Conservative, n. A statesman who is enamored of existing evils, as distinguished from the Liberal, who wishes to replace them with others.

—Ambrose Bierce, The Devil's Dictionary

Strike against all ordinances and laws and institutions that continue the slaughter of peace and the butcheries of war. Strike against war, for without you no battles can be fought. Strike against manufacturing shrapnel and gas bombs and all other tools of murder. Strike against preparedness that means death and misery to millions of human beings. Be not dumb, obedient slaves in an army of destruction. Be heroes in an army of construction.

—Speech by Helen Keller, Carnegie Hall, New York City, Jan. 5, 1916

A man must consider what a rich realm he abdicates when he becomes a conformist.

—Ralph Waldo Emerson

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A ROAD TO SOCIALISM

BY SHIGETO TSURU

The interest in socialist thought arose in Japan soon after her emergence in the 1860's from feudal seclusion, and socialism as a political movement became crystallized at the turn of the century through the formation of the Social Democratic Party led by Sen Katayama and others. This group, though suppressed, led the fight against the Russo-Japanese war; and it was quite symbolic that at the meeting of the Second International in the very summer of the war's outbreak, Katayama shook hands dramatically on the stage with Plekhanov who was then representing Russia. The close relations which were sustained between the Japanese socialist movement and Russian communism were firmly established then, and naturally became closer after the October Revolution. This relationship became one of tutelage, and the underground socialist movement in Japan used to have its programs laid down by the headquarters of the Third International. These action programs contained elements of incongruity with respect to the local situation in Japan; but the overriding consideration soon came to revolve, in any case, around the question of how to frustrate Japan's imperialist expansion into China.

Now, 50 years after the October Revolution, Russia has changed and Japan too has travelled its own course of storm and stress. Looking ahead, a question may legitimately be asked, on the occasion of this anniversary: What can the road to socialism be for a country like Japan, unquestionably a capitalist society which, despite the debacle of defeat in a major war, has demonstrated in the postwar decades a capacity for sustained growth much greater than the most sanguine optimist had dared

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to hope? A prior question, however, might be: Why work for socialism at all when capitalism has done such wonders? What can be gained economically by following the paths of a country like the Soviet Union or China when you are doing far better than either of them in the matter of raising the living standards of the people? One has to answer this question first.

There are some who advocate socialism for Japan mainly for the political reason of enabling Japan to associate more closely with her neighbors to the west. There is a good reason for this, for a shift in political alignment could conceivably have a catalytic effect on the social and economic orientation of the country, with far-reaching practical consequences in the long run. But the basic fact remains that the economic structure of the country conditions its political orientation, and it would be unrealistic to suppose that Japanese capitalism could choose its political allies in the manner of a woman choosing her favorite hats in a millinery shop. If we are to speak of a socialist Japan as a practical possibility, we should be able to show (1) that the contradictions inherent in Japanese capitalism have become sufficiently serious to transform the system from a promoter to a fetter on society's progress; and (2) that socialism can confidently be expected to offer a far better alternative.

These are momentous questions to which a brief sketch within the compass of this essay can hardly do justice. Let me summarize, however, my considered thoughts on the matter. The basic contradiction of the capitalist mode of production is that between the social character of production and private ownership of the means of production. It manifests itself, in the classical view, in (1) the inevitability of crises which are expected to become increasingly serious; (2) the pauperization of the working class, not only in a relative but also in an absolute sense; (3) the increasing degree of monopoly which replaces competition and not only distorts the functioning of the price mechanism but also tends to retard technical progress; (4) the dangers of war, especially in the imperialist era, among advanced capitalist countries for the redivision of the world; and (5) the alienation of man, elevating things to the role of master over human activities. Of these manifestations, it must be conceded

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that in the light of our recent experience some seem to have less pertinence today than others. For example, although economic fluctuations will undoubtedly continue to characterize capitalism, a severe crisis of the 1929 type is not likely to be repeated in the era of what economists call "the neoclassical synthesis" in which instruments of macro-economic control have attained a relatively high degree of sophistication. Secondly, the pauperization of masses in the absolute sense would be impossible to prove, and even in the relative sense the thesis is hardly convincing. Maldistribution of income of course still remains; but it happens to be a curious Japanese paradox that the best organized, most militant wing of the working class is best paid and enjoys the greatest job security, while the lowest rung of the working class, composed mainly of employees in small establishments, is hard to organize and in fact tends to vote for conservative parties at the polls. Thirdly, wars of redivision are largely a thing of the past, what with the substantial extension of the socialist sphere, the political awakening of underdeveloped areas, and the horrendous implications of a nuclear war. Imperialism is taking a new form with more sophisticated and less direct agents of exploitation and domination.

The two other aspects which have been mentioned above, namely, the increasing degree of monopoly and the alienation of man are still with us, and indeed in more varied and intensive forms than ever before. Actually, in speaking of manifestations of capitalism's basic contradiction, a reformulation may be necessary. It is noteworthy that the classical view was peculiarly oriented towards unifying theory and practice, with the foci centered around the increasing severity of crises, the pauperization of the masses, and the dangers of war. All these were analytically deduced and at the same time were regarded as preconditions of revolutionary upheaval. If these unifying foci of theory and practice have now to be relegated to a secondary place as manifestations of capitalism's contradiction, the needed reformulation would involve not only objectively analyzing and restating the law of motion of capitalism but also indicating the pertinent foci of practice which would be consistent with that analysis.

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It may be suggested, with desperate brevity, that the basic contradiction of capitalism, i.e. the contradiction between the social character of production and private ownership of the means of production, now manifests itself more starkly than ever in the subjugation of man's purposeful activities to the mechanism which moves in response to the avarice of Capital.

Here, of course, the word Capital is used advisedly in the sense of the basic unit of economic activity under capitalism, having as its overriding purpose self-aggrandizement through pursuit of maximum profit. The initial stage of Capital's development was the embracing of the category Labor. Indeed, Capital came into being as a historical category by turning labor power into a commodity. Then, Capital began to embrace other Capitals, this being the characteristic phenomenon of the era of concentration and centralization. Then, inevitably, came the stage of Capital's embracing the category Market. In many a sphere of economic activity the Market is no longer a place where buyers and sellers, both independent and numerous, gather and compete with each other to consummate objectively determined transactions. It has come to partake more of the character of a sales department of a monopolist, not only with prices manipulated by him, but also with the demand for commodities contrived by him. Consumer's sovereignty has given way to producer's sovereignty; and a large portion of consumption demand under "affluent" capitalism has come to consist of what may be called "conditioned demand," which has a peculiar degree of flexibility in response to socio-psychological conditions subliminally contrived by sellers. Capital's avarice has gone farther, as a matter of fact, to embrace what used to be classified as factors responsible for "external economies."* This again was inevitable as the social character of production went on extending its scope. There was a time when science could be distinguished from technology, the latter being an "economic good" with a scarcity value, while contributions of the former were free to everyone as external economies. Science knows no na-

* In Marshallian economics, "external economies" are cost-reducing factors which are external to the individual firm, i.e. from which the firm benefits but over which it has no direct control or influence.—Ed.

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tional boundaries and progresses best in an open and free atmosphere; and scientists have no allegiance but to truth. But technical progress has now arrived at a stage where it is no longer possible to draw a hard and fast line between science and technology. Under these conditions scientific research has become a cost item internal to private firms. Science is now embraced by Capital, and "Who Owns What's in Your Head?" is indeed an appropriate question to ask, as *Fortune* did a few years ago (July, 1964).

While the social character of production has been extending its scope in this manner, the pattern of ownership has become rationalized. If you ask a manager in a giant corporation who its owners are, he will reply to you: "Hundreds of thousands of stockholders, among whom are counted a large number of workers, widows and retired men, foundations of all kinds." He is likely to add that he himself owns only an infinitesimal portion of the equity and that he is merely serving the interests of stockholders. Such a reply is truthful enough and only underscores how efficient the task of controlling a giant corporation has become with respect to minimizing the share *owned* by persons or institutions who control it. Owning corporate shares is tantamount to owning a part of the means of production; for a great majority of such shareholders, ownership actually means alienation from control in return for a modicum of bribes called "dividends." They, too, are owners, but their ownership of corporate shares is almost indistinguishable from holding insurance policies or savings accounts in banks. In other words, they are no less a part of the paraphernalia with the aid of which Capital pursues its impersonal, ruthless objective. Private ownership of the means of production is still the essential aspect of capitalism, but the streamlining of institutional arrangements for control has made it rather obsolete to ask a question like "*Who* owns Japan?" (as in the days of the *zaibatsu*) and in its stead bids us pose a question: "*What* owns-and-controls Japan?"

In sum, capitalism may be able to minimize crises, may be able to raise the standard of living of the masses in terms of marketed goods and services, may be able to avoid wars, and may still be able to raise productive powers; but more than ever,

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it aggravates the degree of alienation of man, strengthens and broadens the embracing power of Capital, and spreads the ownership among many but alienates them also by condemning them to the position of instruments of Capital's control. Furthermore, in some countries, if not in Japan, Capital utilizes the state power to build into the demand structure a sizable expenditure on armaments, with all that this implies, as an offset to the tendency to underconsumption, an aspect of the institutionalization of waste which has manifold facets, as Vance Packard has shown.

The appeal of socialism in such circumstances would consist mainly in the restoration of man's mastery over the mechanism of things; and the interest that can be aroused for this alternative necessarily has a base much broader than that which can be identified as the working class. There is, however, a question of degree that is of real significance. Workers still occupy the position in the structure of production which makes them the most direct sufferer from Capital's avarice, firstly in the sense that they toil for wages which are a cost item to be minimized in the interest of Capital, and secondly in the sense that theirs is *labor* and not *work* (in the terminological distinction of Hannah Arendt), or toil for others forced upon them by the circumstances over which they have no control. Therefore, the objective position which it occupies in the economic relations of present-day capitalism qualifies the working class to lead the fight for socialism, a fight which, however, has to be more broadly based now than formerly, including in its ranks the greatly swollen middle classes and the individual proprietor group. In a word, the vision of socialism today for advanced capitalist countries is the citizens' fight for decency in life and for the integrity of man.

Can socialism in this sense be brought about gradually and piecemeal? I think it can be, although a constellation of events involving international relations could create a situation more favorable to a sudden overturn in some countries. The conditions which might make a gradual transition possible are (1) the maturing of material requisites for an advanced planned economy, and (2) a broad base of opposition that can be mobil-

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ized against the dominating influence of Capital over men's lives. This kind of a broad opposition is not easily obtained, especially under the circumstances in which the ideology of Capital is allowed to have full sway and that of socialism remains either outmoded or unarticulated. It is characteristic, however, of the historical evolution of societies that capitalism brings about through its own logic one situation after another that will show up the peculiar limitations of the system for virtually all to see and become convinced, provided the socialist opposition is able to take advantage of the situation to apply its weapon of scientific analysis and to concentrate its forces in practical opposition.

Gradualism implies an evolution of society essentially under the system of parliamentary democracy. But transition from capitalism to socialism implies a permanent transfer of power accompanied by a qualitative transformation in the mode of production. Since in almost everyone's definition, socialism means a planned economy with public ownership of the means of production, the transformation referred to has to involve the transfer of the privately owned means of production into public hands. How the philosophy of gradualism envisions this transfer is a question which now requires some rethinking. A standard answer used to be to draft a "shopping list" of industries to be nationalized, and to proceed to implement it one industry at a time. Such a strategy is still viable. But it may be suggested that a many-sided attack is also feasible, and that in particular the prevalence of administered prices under monopoly capitalism makes it easier to approach the problem via price control (especially of intermediate goods) in such a way as to effect the socialization of *flows* as contrasted to the socialization of *stocks*. Conceptually, the socialization of flows in a broad sense subsumes the system of direct corporate taxes, etc.; but what I have especially in mind here is a system of price control which will keep prices deliberately low, lower than would otherwise be the case by the amount of that part of corporate saving which corresponds to new investment funds. At the same time there would be created a public fund to be channeled into relevant industries for investment purposes under public control. Public utilities and steel are fields in which it is relatively easy to ex-

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periment with this approach. A by-product of this approach will be a corresponding weakening of the financial citadel of capitalism. This citadel can be further weakened, without taking the step of nationalizing banks, and probably with greater economy in the use of resources, by instituting a full-scale public social security system. It has not been sufficiently realized that an inordinately high rate of saving practiced by the Japanese urban population (18 percent of disposable income in 1966), which constitutes a major source of funds for city banks, is in fact a reflection of the insecurity (with respect to sickness, old age, housing, costs of higher education for children, etc.) which Japanese capitalism has caused and which could be alleviated with relative ease under a socialist government. As for the step of nationalization or public ownership, I would also draft a "shopping list." But so fa ras Japan is concerned, the first item on that "list" would be urban land, a modest enough proposal consistent with the letter (Article XXVIII) of the MacArthur Draft for a new Japanese Constitution proposed by the occupation forces to the Japanese government in February, 1946.

Announcement—

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THE LESSON OF THE SETBACK IN INDONESIA

BY JESUF ADITOROP

Jesuf Aditorop headed the delegation of the Central Committee of the Communist Party of Indonesia (PKI) to the Fifth Congress of the Party of Labor of Albania, and the extract below is from his speech to the Congress, printed in the *Indonesian Tribune,* December, 1966 (PKI organ now published in Albania). After critically analyzing events following September 30, 1965, which resulted in the setting up of a military dictatorship under Suharto-Nasution and the slaughter of several hundred thousand Communists and progressives, he states that the PKI "is returning to the correct road" and is "rebuilding its organization."—The Editors

In drawing lessons from the bitter experiences, it must be pointed out that one of the most important causes of the setback in the revolutionary struggle of our people is the mistake committed by the PKI in appraising the class nature of the state power in Indonesia. In reality, after 1949 when the reactionary Hatta government concluded the Round Table Conference Agreement with the Dutch imperialists, the state of the Republic of Indonesia became an instrument in the hands of the Indonesian compradore bourgeoisie and landlords to protect the interests of imperialism and to maintain the remnants of feudalism, as well as to suppress the people, especially the workers and peasants, who wage the struggle against imperialism and feudal vestiges. The revolutionary struggle of the Indonesian people since 1949 had achieved certain results which diminished the anti-democratic character of the bourgeois power. But this by no means altered fundamentally the class nature of this power. The exaggerated assessment of the gains of the revolutionary struggle in this period gave birth to the "theory" that the state power of the Republic of Indonesia was composed of two aspects, the "anti-people aspect" and the "pro-people aspect." According to this erroneous "two-aspect theory," the state ceases to be the instrument of suppression in the hands of

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the ruling class against the other classes but can be made an instrument shared by both the oppressor and the oppressed classes. This "theory" led to the illusion that the fundamental change in state power—that is to say, the birth of a people's power—could be peacefully accomplished by developing the "pro-people aspect" and gradually liquidating the "anti-people aspect." In practice, this "theory" had deprived the proletariat of its independence in the united front with the national bourgeoisie, dissolved the interests of the proletariat in a position of tail-end of the national bourgeoisie.

To return the proletariat to the position of the leadership in the struggle for emancipation of the Indonesian people, it is absolutely necessary for the PKI to rectify the error of the "two-aspect theory" and to establish the correct Marxist-Leninist principles on state and revolution. The PKI has stated that "the people will come to power only through an armed revolution under the leadership of the working class, to overthrow the power of the compradore bourgeoisie, the bureaucrat-capitalists, and the landlords who represent the interests of imperialism and the remnants of feudalism." At the same time our party has also emphasized that "the armed struggle to defeat the armed counter-revolution, as a revolution, must not be waged in the form of military adventurism or in the form of a putsch, which is detached from the awakening of the popular masses," and that "it is the people who will liberate themselves."

The events in Indonesia have demonstrated the utter bankruptcy of the "peaceful-road theory" in whatever form and the danger it has brought to the revolutionary movement. These events have shown with what great sacrifices the proletarian party has to pay when it harbors even the slightest illusion about the "peaceful road" and when it abandons the principle of people's war in solving the contradiction between the people and the domestic reactionary classes. This is the most important lesson from the bitter experiences in Indonesia.

The PKI has drawn a lesson from its experience that the struggle against modern revisionism in the international Communist movement should be closely combined with the most consistent struggle against any manifestation of modern revisionism in its ranks.

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SOCIAL REVOLUTION IN THE ARAB WORLD

BY N. B. MILLER

The very definition of *Al-thawriyyah* (revolutionism) points to the primary area where revolutionism has failed in the Middle East. Correctly interpreted, revolutionism incorporates the masses in a basic attitudinal change toward social and economic (as well as political) life; the people participate in the formulation of new value systems and criteria of thought. This is further emphasized by the Arabic word for socialism, *al-eshtrakiah*, which, literally translated, means "participation." And it is exactly this participation that is not found in the present-day movements in the Arab countries.

The post-Second World War period in the Middle East has been called the "decade of the Coup d'Etat." After the successful coups in Syria (1949), Egypt (1952), Sudan (1958), Iraq (1958), and Yemen (1962), there followed successful countercoups in Syria (1949, 1951, 1954, 1961, 1963, 1966) and Iraq (1963), and unsuccessful attempts in Egypt and Sudan.

Coup d'Etat is not only *not* conducive to bringing about basic social change; it is the antithesis. It is folly to think that parliamentary political democracy, established under the imperialism of Britain and France, can now be used to implement mass participation in the same system dominated by local military elites. The basis of this system—a monopoly of power by a minority privileged class—continues, and the masses are effectively excluded from the developmental process of political and social responsibility.

More specifically, in the Middle Eastern Arab nations which profess revolutionary regimes (Egypt, Syria, and Iraq) the gap between "rhetoric and reality" is more pronounced than elsewhere in the region—and thereby potentially more destruc-

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N.B. Miller is the pen name of a political scientist presently associated with an educational center in the western United States. The article is a revised version of a paper prepared for a recent conference on the Arab student and social revolution.

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tive of the revolutionary process. All three governments basically state that "the socialist revolution is bound to have the peasants and the workers as the backbone and base of both the revolution and the party." But, in reality, what has been created is a substitute class stratification with the high-ranking military and government officials at the top, and under them a secondary class of middle-level civil servants and military officers, along with a small professional sector. The resultant mentality can be described as little more than petty bourgeois. This is true of the Socialist Arab Ba'ath Party and the Arab Socialist Union, as well as, unfortunately, the Algerian Front of National Liberation.

In Algeria, we find a *national* revolution, rather than a *social* revolution, where the power was transferred to the Algerian middle class rather than going into the hands of peasant-worker forces. Neither Ben Bella nor Boumedienne have succeeded in a social restructuring of the nation; bourgeois nationalist demands have taken precedence over peasant and worker demands.

Because of the unique position the Algerian Revolution holds internationally, it is necessary to devote special attention to this problem.

Algeria is the only country in the Arab world that has achieved independence through a genuine war of liberation. In seven and a half years, one million Algerians died and 8,000 villages were destroyed. There were 500,000 war widows, 300,000 orphans, and 2,500,000 Algerians were "pacified"—herded into concentration camps. (The policy of "regroupment," initiated by General Ducorneau, was a direct result of his Vietnam experience and provided a rich heritage for the United States in Vietnam, where the same policy is today vigorously pursued.)

After all this, what prevented the *ikhwan* (brothers) from uniting? Why did they not complete their revolution? For the truth is that the major post-independence problem facing the ALN-FLN (*Armée de Libération Nationale-Front de Libération Nationale*) was one of internecine rivalry at the expense of the people.

First, owing to the French border blockade (extending from La Calle, near the Mediterranean, to El-Ma-el-Abiod,

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northeast of Negrine at the beginning of the Sahara), the revolutionary forces were inevitably divided into military *and political* divisions between "interior" and "exterior" forces. Second, the *majority* of the people were never incorporated into the revolution itself and, most importantly, never transcended the typical inferiority complex so visible in a colonized people. Third, the original rivalry between the *Gouvernement Provisoire de la République Algérienne* (GPRA)—political power—as opposed to the military power represented by Ben Bella and Boumedienne was exploited by the French and others to assure backing for the military. This was done with de Gaulle's blessing because the army seemed to be the only segment sufficiently organized to maintain stability—which was what France now wanted above all else in Algeria. French policy was of course quite logical and necessary if France was to maintain her economic position in the area. The political/military split deteriorated into a rivalry between Ben Bella and Khider over the establishment of the Political Bureau as an avant-garde policy-making elite which failed to incorporate the people into the decision-making apparatus and at the same time guaranteed state control over the party. The resignation of Khider and the dismissal of Mohammed Harbi (who was later arrested in August, 1965, by Boumedienne) signalized a victory for the dominance of the middle-class intelligentsia over the concept of a "peoples' party," and thus guaranteed the "rhetorical" as against the "social" nature of the revolution.

The natural consequence was a return to economic and psychological dependence on the French. This was most strikingly emphasized at the International Conference for the Denuclearization of the Mediterranean Basin at Algiers in 1964. Ben Bella sent Mohammed Yazid to warn the delegates *not* to include in their protests any mention of French atomic installations inside Algeria.

The political program of the revolution, beginning with the *Tripoli Program* (supposedly formulated in May, 1962, at the CNRA meeting in Libya) and culminating in the April, 1964, *Charter of Algiers,* emphasized the divisions within Algerian society, offered very little in the way of social reform, and drew attention to the strength of the military as being absolute—

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later to be proved in June, 1965. (One of the best examples of internal division was the request of the GPRA in July, 1962, immediately after independence was won, for the French to close their border positions so as to keep segments of *their own army*, the ALN, from returning to Algeria. Earlier, in June, the GPRA had even officially dismissed Colonel Boumedienne as Chief of the General Staff—a hollow, but highly significant, gesture.)

As early as February, 1963, the French were officially guaranteed by Ben Bella *and* Boumedienne that "the Algerian government would never present the big French companies with a *fait accompli* of nationalization," and that "Algerian socialism does not involve Marxism or even systematic nationalization. The private sector will continue to exist."

The transition from revolution to petty-minded bureaucracy was rapidly implemented. In effect, an elite party structure became the state, and a parliament and constitution were established to ratify the *fait accompli*. Ben Bella became President of the Republic, Secretary General of the Party, and Commander in Chief of the Armed Forces. No matter how often Ben Bella insisted that "the people are the party and the party is the people," in reality the national sovereignty of the people was replaced by a monolithic structure controlled by a small group headed by Ben Bella. The people, who had prevented the civil war from spreading in the summer of 1962, were reduced to the role of spectators.

The myth of socialism in Algeria was correctly attacked by Khelifa in *Révolution Africaine* (July 13, 1963):

> Through some strange reasoning and in spite of the half-failure which resulted—due to lack of intensive preparation and political understanding—some people have believed and still believe that a few opportune decrees and the immense thirst for justice among the mass of the people are enough to give life to and launch the socialist experiment. . . . They are losing sight of the fact that the socialist revolution aims not only at a redistribution of wealth but also at a total transformation in depth of the nature of our society. This is the most difficult transformation and the one which needs the most devotion, patience, and intelligence.

With the ever-increasing numbers of homes, apartments,

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cars, farms, small businesses, yachts, etc., becoming *biens vacants* as they were abandoned by the French, the integrity of the revolution suffered a mortal blow. These properties came to be used as political prizes, and the "administrative guardianship" (as provided in the decrees of March, 1963) failed to control what had become little more than sheer looting. The machinery to promote the "socialist experiment" just did not exist. "Self-management," which at best employed one tenth of the rural population, was a failure. Six million Algerians derived no benefit from the Agrarian Reform. By 1964, only 2.7 million hectares (approximately 12 percent of the total surface and only 25 percent of the land under cultivation) had been included in the "socialist sector." The confused policies of Amar Ouzegane, Minister of Agriculture, and Ali Mahsas, whose conservatism was a constant roadblock, led Harbi to warn, in June, 1963, that "time is getting short. We must close the gap between what we profess and what we achieve."

Industrial and agricultural socialism took second place to Ben Bella's notion that he must secure foreign capital. He could not afford to scare off investment by taking drastic socialist measures. (It is interesting to note that Ben Bella's "industrial socialization" included the same minor enterprises which Yugoslavia, in her experience, restored to the private sector.) By the end of 1964, only 450 enterprises, employing approximately 10,000 workers, had been put under self-management. Production, in general, dropped considerably, with the exception of the oil industry which Ben Bella refused to take over from the French. The most significant drop was in much needed agricultural equipment and building supplies.

In an article in the June 13, 1964, issue of *Révolution Africaine*, Harbi again warned:

> With the coming of the revolution, hundreds have found themselves thrown into positions of [revolutionary] responsibility while they remain, subjectively speaking, bourgeois. . . . The kind of regulations and the acts necessary for wartime and for underground action discourage the free confrontation of ideas. . . . Slogans become a substitute for explanations. . . . By trying to concentrate the complete machinery of production within itself by any means at its disposal, the state disassociates itself from society and tends to become a deified entity superior to it. . . . This leads

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to the creation of a bureaucracy which is a very serious blemish on the edifice of socialism. . . . The centralized machine is responsible for all decisions, and, if it has not come to a decision, you must wait for it. The masses are exhorted to be creative and to be constructive, but no sense of initiative is left to them.

A lesson can be learned from Harbi's subsequent attempt to establish independent civil militias (*milices populaires*), which was just too revolutionary an idea for Ben Bella—and, of course, for the army. The result was a compromise wherein the militia would be directed by the party but trained by the army—and its effect was of course nullified. The gaps continued to widen, worker migration to France increased (with immeasurable counter-revolutionary influences resulting from this French exploitation of cheap Algerian labor), and by 1964 some 84 percent of the total active population was unemployed or severely underemployed and 68 percent of the total available man-years were not utilized. Algerian "socialism" was well on the way to becoming state capitalism.

Early on the morning of June 19, 1965, Houari Boumedienne and a group of six military officers implemented their plans for the overthrow of Ben Bella. By noon of the same day, the putsch had succeeded. The years of preparation in building a strong politico-military machine, independent of the people and the party, had borne their inevitable fruits.

A Council of Revolution was established, comprising almost exclusively army officers or ex-army officers. One month later, an Executive Secretariat replaced Ben Bella's Political Bureau; all but one of the members of this new body was from the army. In August, the popular militias were disbanded, and it was announced that on September 14th a congress of all officers of the *Armée Nationale Populaire* (ANP) would meet to discuss plans for promoting the revolution of June 19th. The army had taken command.

A significant number of arrests were made, the Communist Party went further underground, and relations with Egypt were very near the breaking point. Increased cooperation with "France and Islam" was urged by Boumedienne, and world opinion was mixed. China, in hopes of saving the scheduled Afro-Asian conference, was first to recognize the new government—other

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nations slowly followed suit. The most significant comment came from President Bourguiba of Tunisia: "Coups d'état . . . are symbols of decadence and underdevelopment, even when the coup appears to be the lesser of two evils. Always bear in mind that once this particular door is opened, it is difficult to close it again."

The African nations were justifiably apprehensive, for they feared an increased effort on the part of the Arabs to be the leaders of the new Africa—an extension of Ben Bella's belief that the "blacks" were too disorganized to rule, coupled with Boumedienne's insistence that Arab nationalism must prevail over the continent. Israel looked upon the change as a step away from Nasser's concepts of unity against the Zionist state. And new contracts were signed with France for "French help" in Algeria's plan for industrialization: further French cooperation (and penetration) was assured.

Nationalism ran rampant. Boumedienne denied that Ben Bella had ever been a "socialist" or an "Arab revolutionary nationalist"; he was a professional politician who could be expected to import all manner of foreign influences, such as Castroism and Nasserism. The cry was sounded for a pure "Algerian socialism" relying upon Algerian interests and sentiments. The theory of "Islam socialism" was carried to its extreme implications in order to attempt to control (not incorporate) the people in what must be termed nothing more than an elitist military counter-revolution.

The rights of women, hardly recognized under Ben Bella, were further negated under Boumedienne. On March 10, 1966, police had to be called to prevent a walkout of women who had been attending a meeting where Boumedienne suggested that women could not be given equality with men in the allocation of jobs. Stating that this kind of action would somehow be "immoral," he warned: "Do not imitate the women of the West. . . . Our society is Islamic and Socialist . . . morality must be respected."

Order and stability became the criteria for the new regime, almost bordering on puritanism. *The people were specifically excluded from participation because "bringing in the masses*

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would have led to chaos." And torture and a suspension of civil rights were again in vogue.

The previous mild attempts at agrarian reform and industrial "self-management" were condemned, and private foreign investment from abroad was encouraged. Although "socialist" principles were still the public posture, in reality the domestic economy was becoming more and more capitalistic. So much so that on July 16, 1965, the United States Department of State announced its satisfaction with the new regime and looked forward to "happier relations with Algeria," and, on January 4, 1966, reinstated its program of aid in the form of food surpluses. American corporations were secretly brought in for contracting and consulting assignments (as many as 24 were said to be active in Algeria by October, 1965). And trade with the Western powers continued to increase, with France maintaining absolute control over the Sahara. Boumedienne, who had criticized Ben Bella for relying too heavily on de Gaulle, stated in *Le Monde* (November 10, 1965):

> Thanks to the General, there are no longer any problems between the French and Algerian peoples. We have known General de Gaulle as an enemy, and we know that, thanks to his vision of the future, he is now our friend.

Perhaps the best summary of the "new order" was presented by Philippe Herreman in *Le Monde* (September 19, 1965):

> Encouraged by the new regime's rejection of "imported socialism" and by its clear indications of goodwill towards France . . . the French government thinks that cooperation can be facilitated by the reorganization of the administration and the economic development being planned by the new team. . . . It also knows . . . that our technicians and instructors are in greater demand (provided they are not Communists) than those of Egypt or other Eastern countries, who were rejected along with M. Ben Bella for political intervention or plain incompetence. The French government is impressed by the new direction being taken by the regime which, wishing to judge by standards of efficiency rather than "dogmatic socialism" . . . is calling a halt to nationalism, even returning enterprises to private hands, and is dismissing Marxists from responsible posts. . . . It is trying to restore the confidence of the Algerian middle class and the foreign business communities which had been dissuaded from participating in the development

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of the country by M. Ben Bella's policies of "socialist adventurism." Since he has been at the head of government. Colonel Boumedienne seems to wish to establish even more firmly the policy he was already championing at the Ministry of Defense. He has asked and, it appears, obtained from Paris, instructors for tanks and engineering, and has requested France to help Algeria to create a navy. A French naval mission has left for Algiers.

Thus has the Algerian Revolution failed!

In Syria and Iraq, we have been witnesses to an unending series of military governments, culminating (essentially) in dictatorship by the army in Syria and an elitist Nasserite regime in Iraq.

In Egypt, Nasser has attempted to solve the problems of underdevelopment caused by imperialism, colonialism, and monopoly capital by a compromise program of social democracy and nationalistic militarism. With the National Charter of 1962, Nasser attempted to legitimize this "compromise with revolution." He is thereby on a par with the paradoxical doctrines of Salah-al-Din Bitar and Michel Aflaq (founders of the Ba'ath Party)—a combination of anti-Communism and Arab nationalism, relying upon the peculiar nature of Arab society to somehow incorporate the people in a peaceful "socialist" revolution. But Nasser has not achieved mass participation in the vanguard of revolution and in the long-term, dynamic process of societal transformation. This participation cannot be forced by the army or by the *muhabarat* (security forces)—or by an emotional appeal for national unity in time of crisis; nor can it be brought about by an already established bureaucratic and military elite. And in the absence of this popular participation, the "new order" tends to return to the traditional.

In all cases, the result has been either a so-called "liberal" military dictatorship or a substitution of elite bourgeois intellectual superiority for the mass participation of the people. In the former, *L'Etat, c'est moi* is still the underlying dogma; in the latter, more insidiously, the substitution is, *La Société, c'est moi.*

To fail to include the people, wholly and completely, in the revolutionary process is to defeat the revolutionary cause. As stated by Frantz Fanon: "Total liberation is that which con-

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cerns all sectors of the personality. . . . When a nation stirs as a whole, the new man is not an *a posteriori* product of that nation; rather, he coexists with it and triumphs with it."

In the past, "Arab socialism" has been anything but socialism. As long as only lip service is paid to "social justice" and "economic growth," it is quite easy to combine a "mixed economy" with a "welfare state" and to call the result "socialism."

It is necessary to understand "revolution" as being something beyond the physical taking of power: it is the dynamic process of societal change, without which there can be no popular participation in the revolutionary development. It is also necessary to understand that "class struggle" refers not merely to an economic condition. It is the struggle to achieve an equality of *power* within the political framework of the revolution. Therefore, it is incorrect to state that the class struggle in Egypt, for example, is over simply because there has been a redistribution of economic wealth. *There has been no popular redistribution of political power!* And therein lies the heart and direction of a socialist revolution—popular control over the administration of the state, leading from state ownership to *direct social ownership*, and incorporating the people throughout.

The class struggle has been eliminated in the Arab countries by a rationalizing recourse to the differences between Arab and European (and apparently all other) societies. Thus, because of the "special" characteristics of Arab society, a transition to socialism can supposedly be brought about within a framework of peaceful compromise with the internal contradictions of the society—there is no need for class struggle.

"Arab socialism" has thereby become Arab social democracy, relying upon a two-phased economic and political approach toward societal transformation, each phase to be separate and distinct. While espousing a "form" of socialism for the economic phase, this is completely divorced from the political or social phase which is to be developed by "democratic" means. This formula for bringing about a transition from an *Arab national* struggle to an *Arab socialist* struggle completely misinterprets the dynamics of social revolution. The desired

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ends of social participation and, ultimately, direct social ownership are thereby abrogated.

The popular productive classes are excluded from participation and, as a result, are prevented from developing *and guarding* a truly socialist state. It is not enough to provide the means for passive protest against the bourgeois system; the method of changing the system by mass participation must be secured. And this demands a revolutionary movement that will result in political control by the working people. General pronouncements regarding the importance of a socialist economic structure are wholly insufficient to bring about a societal transformation which will allow workers and peasants to assume power, and make possible the overthrow of the social and economic system of exploitative capitalism.

And this is where the talents and responsibilities of the so-called rising "middle sector" are most vital. By this, I refer to persons of essentially peasant origin who have succeeded in becoming educated, have obtained a minor governmental, technical, or teaching position, and who have absolutely no hope of achieving or participating in the power structure of government. What are such people going to do with their education and what is their role in the revolutionary transformation of society?

This group provides the vital link between the peasants and the social revolution which is so urgently needed throughout the Middle East. The functions of this group—and of the students from which it is recruited—are to incorporate the masses in the dynamics of revolutionary thought; educationally and organizationally to develop mass participation in the movement for change; and, after the revolution, to act as guides for bringing the people into the role of participating in, and guarding, the new political power structure, i.e., to complete the class struggle.

The lessons of India, Mexico, and Bolivia are clear. The recent right-wing military take-over in Indonesia has a direct relevance to the Middle East. There can be no compromise with the necessity for establishing a peasant-based revolutionary movement. In attempting to consolidate a program for fundamental social revolution, one cannot substitute parliamentary democracy or "anti-imperialist" nationalism for a worker-peasant

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movement as the basis for achieving and maintaining state power.

Non-revolutionary socialist parties are not capable of implementing the necessary structural and ideological transformations.

Without the inclusion of revolutionary mass-consciousness in the movement toward socialism, there is no means by which to propel and safeguard the revolution. This absence of revolutionary mass-consciousness does more than simply slow down the revolutionary process; it *reverses* the revolution itself and produces the conditions necessary for the victory of counter-revolution.

In conclusion, and inescapably, a brief reference to Israel. The proposition that the interests of Israel and the interests of imperialism are parallel does not need documentation. Both the United States and world Zionism are committed to preserving the status quo in the Middle East—a weak and divided Arab world. But to conclude from this that Israel is the focal point from which to defeat imperialism is, I submit, an unwarranted and self-defeating assumption. If Israel is the lackey of imperialism, then why go after the lackey? An "unholy alliance"—including as many (or more) *pro*-imperialist Arab nations as anti-imperialist ones—for the purpose of annihilating Israel accomplishes exactly what is desired by the Western powers. First, the Arab world continues to remain weak and divided. Second, emphasis on a mass-based revolutionary movement is circumvented because of the reliance on conventional military confrontations. Third, the Arab armies, because of the technological and educational levels which are much lower in the Arab nations, due to their colonial heritage, stand a good chance of being defeated. Fourth, energy is directed toward achieving strictly nationalistic goals for nationalistic reasons, thus causing an obscuring and evasion of the internationalist prerequisites for achieving socialism. And fifth and most important, revolutionaries and potential revolutionaries in the Arab nations are prevented from recognizing the primacy of the class struggle.

Arab nationalism within a structure of international socialism is acceptable and necessary. A program for regional economic development, unifying the Arab states, is a requirement if imperialism is to be defeated. But here again the rhetoric

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is far different from the reality. On the one hand, we hear fine-sounding pronouncements about "Socialism, Unity, and Freedom." But the reality is that Arab unity (Arab nationalism) has been used as an excuse to refrain from developing real Arab socialism. The call is made in times of crisis and offers little more than racist overtones. To this extent Arab nationalism is a self-defeating adventure. To repeat, however, true Arab nationalism can be achieved only within a socialist framework of anti-imperialism. In that manner it becomes a viable and integral part of the socialist revolution.

Both imperialism and Israel are vulnerable. The method of exploiting this vulnerability is by way of a "peoples' war" that unites the Arab masses with anti-imperialist forces *everywhere*. The struggle against imperialism is the paramount issue. Anything that detracts from this issue adds to the strength of the reactionary forces within the Arab world and leads away from a mass-based revolutionary movement.

Thus, as the contradictions within imperialism are used to bring about its defeat, so also will the contradictions manifest in the internal structure of Israel bring about its fall. But this does not mean the disappearance of Israel from the face of the earth. This means the emergence of world-wide socialism in place of a corrupt and ruthless system of capitalist/imperialist exploitation.

Disobedience, or in more familiar terms, resistance to injury or the threat of injury, cannot be thought of as negative, whether in the relationships of individuals or societies. Known as disobedience, collective resistance could be an act of affirmation, of faith in human and social integration.

—*Lázaro Cárdenas*

Comprehension does not become a historical force until and unless the masses' life under the irrational social order becomes intolerable and compels them to add their criticism through practical action to the intellectuals' theoretical criticism—thus raising both to the level of a revolutionary movement.

—*Paul Baran, "Crisis of Marxism?"*

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WESTERN EUROPE'S POSTWAR BOOM: THE END OF AN ERA

BY RICHARD B. DU BOFF

Western Europe's recovery from the devastation and dislocations of the Second World War was achieved by the early 1950's, since by then prewar levels of national output had been re-attained. As is well known, this basic recovery was followed by over a decade of unprecedented economic expansion. In terms of Gross National Product (GNP), growth rates for the area as a whole averaged close to five percent annually. In terms of product per head of population, the advances were still more impressive by historical standards. Over the 90-year span 1870-1960, as well as over its two 45-year halves, annual per capita increases ranged from 0.6 to 2.1 percent in all European countries; while from 1950 through 1960 these average annual increases were as follows: West Germany, 6.5 percent; Italy, 5.3; Switzerland, 3.7; France and the Netherlands, 3.6; Denmark, Norway, and Sweden, 2.6. Only the United Kingdom failed to join the parade. There, annual per capita output grew at a rate of 1.7 percent.[1]*

During the past two or three years, however, it has become clear that this long and celebrated boom is finished. And its demise, now generally acknowledged in financial and economic circles, may force some agonizing reappraisals of much of the economic and political analysis of Western European capitalism written during and since the 1950's. It would not be quite accurate to describe this literature as "new era," at least in the fanciful and grossly overoptimistic sense usually attached to the term. But, with that proviso, it must be said that the central premise of "new era" thinking—that the system has undergone fundamental changes that eliminate past weaknesses—has been evident.

The author teaches economics at Bryn Mawr.

* Footnotes will be found at the end of the article.

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The thesis, simply put, goes something like this: The old instability of free-market capitalism is now relegated to the dustbin of history. The vagaries and insufficiencies of private consumption and—especially—private capital investment have been mastered. The trick has been accomplished in two general and related ways.

First, a new breed of politicians has effectively absorbed and applied Keynesian economics by manipulating government taxing, spending, borrowing, and monetary policy so as to maintain continued high levels of purchasing power, or aggregate demand.[2] The chief beneficiary of these policies has been the private investment sector. With market uncertainties removed or sharply diminished, the investment surge since 1950 has carried the rest of the economy with it: attitudes and management practices, productivity levels, profits, and expectations regarding future business activity—the last a crucial factor in any capitalist setting.

Second, economic planning has emerged as the major institutional characteristic of "modern capitalism." With the growth of large, globe-girdling firms intimately tied to evolving new technologies, more rational control and coordination of business activities becomes absolutely essential. At this stage of (private) economic collectivism, represented by enormous aggregations of invested capital, the errors inherent in a free-market solution to pricing and output decisions can no longer be tolerated. They turn out to be just too risky, too costly. So some *ad hoc* institutional mix grows up to supply the needed degrees of planning at the national level. In some cases the result is a formal planning apparatus, like the "indicative planning" practiced in France; in others, like Germany, the planning mechanism gets welded into the existing corporate and banking sectors, whose function in the economy undergoes gradual, and sometimes imperceptible, broadening. In either event, the outcome is a new combination of private and public power, coordinated by a type of noncoercive planning.[3]

This is not the place to examine either of these two arguments in detail. I would merely point out that both have been subjected to criticism from liberal and radical quarters alike. The first—the aggregate-demand or Keynesian approach—

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should be of special interest to Americans, because it forms the ideological core of the "new economics" brought to Washington in 1961 by John F. Kennedy, and Professor Walter Heller of the University of Minnesota. The other, the "planning" solution, applies less to the United States and more to France, Italy, Germany, and the Netherlands, where it is alleged to have worked so impressively that "there is no reason to suppose that the patterns of the past, which have been ingeniously unravelled by historians of trade cycles, will reassert themselves in the future."[4]

The main point to be made here is that the postwar European economy is depicted as a wholly new animal. Both of the above arguments revolve about the conviction that "patterns of the past" are bygones, that "the growth potential of Europe is likely to remain considerably above the previous long-term trend, and probably above that in the United States."[5] Such assertions, it seems to me, must be taken on their own terms; they clearly imply that simply avoiding a 1930's-type depression can no longer be considered a successful achievement. Superior economic performance is to be expected. The prophets of modern capitalism have settled for nothing less. In fact, they have not ceased to proclaim it—until now.

In retrospect, 1962 can probably be picked out as the apogee of Europe's postwar boom. The next year brought the beginning of the first real economic slump in Italy since the late 1940's, one that lasted well through 1964. In September, 1963, the Gaullist government in France, determined to squelch wage-price cycles of inflation, clamped a severe austerity program on the economy. The result was a two-year recession—a stagnation in national income and an actual decline in industrial output. Finally, in Germany, an industrial levelling-off took hold early in 1966 and turned into authentic recession less than a year later.

The end of the West German *Wirtschaftswunder* was a particularly bitter blow. No country's postwar "miracle" had been more widely publicized as a symbol of the new capitalism's vitality. The effects of the West German slump had widespread economic repercussions as well. As the largest economy in Europe, West Germany dominates much of the region's trade. A slowdown in that country means a drop in its imports, in

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turn affecting the markets for, among others, British, French, Italian, and Swedish exports. The West German recession thus began to have a serious impact on her trading partners, above all France, where the tenuous recovery after late 1965 was cut short.

Where confidence abounded, uncertainty now reigns. Severe, general depression is not anticipated (unless it develops in West Germany or the United States), but neither is the vigorous supergrowth of the past decade or more.

How did all this come to pass?

The typical explanation has had to do with policy: The French, Italian, and West German governments are judged guilty of under- and/or overreacting to excessive growth of aggregate demand and threats of inflation. In instituting deflationary monetary and fiscal policies, they have chosen the wrong moment or the wrong amount of corrective; or else they combined the two policies poorly, producing a bad "mix."

But policy errors are a continuously recurring part of Western economic history in the present century. It is hard to imagine that they are not built into the very fabric of capitalist economies. On a general level of analysis, for instance, it can be said that the goal of "stabilization" policy is to predict economic weaknesses and act to head them off. In other words, counter-cyclical measures are usually called into action *after* signs of inflationary or deflationary distress have become visible on the horizon. Basic forces in the market economy, mainly in the private investment sector, generate the ups and downs; and the attempt to combat them then depends upon deliberate human decisions. Mistakes are therefore inevitable; and, once made, they aggravate business cycle swings. In fact, a number of economists, the late John Maurice Clark included, have suggested that even "correct" policy decisions may have exactly the same effect, since businessmen and investors characteristically over-react to them.

In addition to these general policy limitations, though, a more special type of stabilization dilemma has arisen since the mid-1950's, and it appears to *guarantee* decisions that bring economic expansions to an end. The only process is a complicated one, but its foundation is clearly the "bilateral monopoly"

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existing in the major labor markets of the West European and North American economies: a monopolistic seller, the labor union, versus a monopsonistic buyer, the large corporation. This confrontation normally degenerates into a race between the wage and profit shares of national income, a race popularly labelled a "wage-price spiral." Its features are rising prices, tight money and high interest rates, and profit squeezes. During an upswing in business activity, it becomes increasingly difficult for firms to maintain profit margins in the face of rapidly climbing wages. At this point the conventional monetary and fiscal measures are invoked to restrain aggregate demand, i.e., to curb the threat of inflation. They also, however, reduce cost pressures on business and retard the rise of wage payments that are cutting into the profit share. And in so doing they really serve the purpose, whether it is explicitly understood or not, of preventing further encroachment upon property income and management power.[6] Here, I believe, we have the underlying reason that the recent "incomes policy" or wage-price "guidelines," designed to stabilize prices by tying wage and profit increases equally to overall productivity gains, have broken down where they have been tried (in Britain, the Netherlands, and the United States). Neither side has an interest in keeping them alive. Labor would like to use any such device for improving, not preserving, its relative income share. Management naturally resists that effort, just as it opposes any extension of state controls over its own decision-making power.

The dynamics of this process—this newer type of stabilization dilemma—undoubtedly account for the series of slumps in Western European economies since 1963. (Until the early 1960's the wage-price impasse had been more or less avoidable, thanks to excess labor supplies in domestic farm sectors and in neighboring underdeveloped countries, notably Spain, Greece, and Turkey. Eventual exhaustion of these labor reserves, and the subsequent wage-price spirals, led to the policy decisions which triggered the recessions in Italy, France, and Germany.) So, the common explanation to the effect that the end of the boom was "self-inflicted" is not wrong. It is simply superficial, and it betrays a fundamental misunderstanding of how managed, corporate capitalism works in practice. For once the problem

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is approached as one in political economy—a fusion of specific economic forces and limited political choices—it leads to the conclusion that Europe's moment of truth is a result not of errant policy decisions but of deep-seated economic tendencies. Conversely, the long 1950-1962 boom must have been caused by unique, nonrecurrent factors.

That, in substance, is the view now taken by a range of observers, not particularly on the Left. Discussing the gravity of the present state of affairs in *Fortune* magazine (September 15, 1967), Lawrence A. Mayer has this to say:

> The world's leading industrial nations are going through what may be the most prolonged and consequential economic difficulties they have experienced since the recovery from World War II. The slowdown in the U.S. has been quite mild . . . otherwise the situation might have evolved into a worldwide recession. . . . When growth picks up again this time . . . neither Europe nor the U.S. promises to advance as vigorously as before.

Further, as far as basic economic tendencies are concerned, *Business Week* writes:

> A kind of weariness is overtaking Western Europe's industrial economies. For 15 years, most of them have been running at full tilt, with only brief pauses in their rapid expansion. . . . But over the past two or three years, most of Western Europe has been gradually slowing down. . . . European economists are confident that the current slowdown is temporary, at least in most countries. Says one: "It's a cyclical accident." . . . Despite this, businessmen and government officials are uneasy. On the Continent, there is growing concern that Europe may not be able to sustain a fast growth rate without plunging into another inflationary spiral. Underlying this is a basic weakness in private investment.[7]

"Basic weakness in private investment" (not to mention the other difficulties) hardly betokens a transformed capitalism. If true, then it certainly appears to reflect essentially the same capitalism scrutinized by Keynes, who at times felt that welfare-state support of a shaky private sector might save the day, and by left-wing Keynesians, stagnationists, and Marxists, who believe that ultimately it cannot be saved, at least not in any rational and humane manner.

Further indication of the old weakness lies in the fact that it reappeared as soon as those exceptional factors referred to

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above began to lose their strength. I would summarize these once-for-all factors under the following five headings:

(1) The extremely high productivity of capital investment made to replace and repair war damage.

(2) United States aid, like the Marshall Plan.

(3) Exploitation of labor surpluses in the rural areas: shift of this low productivity labor into more efficient uses in the nonfarm sectors.

(4) Technological "catching up": application of the superior production and organizational techniques of American manufacturing and agriculture.[8]

(5) Rapid expansion of consumer durables consumption, hitherto underdeveloped compared with the United States: untapped "mass demand" for automobiles and major home appliances. A related factor might have been the high level of construction required to rebuild destroyed cities, and the huge backlog of housing needs.

To this list might be added state support and rationalization of the private sector, but I doubt that its form and effect are much different from "policy." To the extent that they are, and approach outright subsidy or nationalization, Europe has had a relatively smaller advantage over the United States, where state support has been sizable and pervasive, notably in the sphere of military spending.

The foregoing analysis prompts this final question: What of Europe's dependence on the American market, itself dependent on a high level of arms expenditures? Could the United States, and by implication its "free world" partners, survive an escalation of peace and sharp reductions in military spending? Recent events make the prospect dubious. The prolonged Kennedy-Johnson boom in this country petered out in late 1966 and early 1967. Through mid-1967 the Federal Reserve index of industrial production fell slightly, then stagnated; the first quarter of the year 1967 was the first in six years in which real GNP actually dropped. The significant fact is that this "mini-recession" occurred *in the face of* massive and steep increases in Vietnam spending. What would have happened in their ab-

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sence? And how much more spectacular would the end of Western Europe's postwar boom have been in that event?

FOOTNOTES

1. Angus Maddison, *Economic Growth in the West* (New York, 1964), pp. 28, 30; D. C. Paige et al., "Economic Growth: The Last Hundred Years," *National Institute Economic Review*, July 1961, pp. 24, 28, 29.

2. The major spokesman for this school of thought is Angus Maddison, *Economic Growth in the West*.

3. The best-known presentation of this thesis is in Andrew Shonfield, *Modern Capitalism: The Changing Balance of Public and Private Power* (London and New York, 1965).

4. *Ibid.*, p. 62. There are useful reviews of Shonfield by Bob Rowthorn in *New Left Review*, May/June 1966, and W. Beckerman in *Economic Journal*, June 1966.

5. Maddison, *Economic Growth in the West*, p. 58.

6. See the lucid sketch of these conflicts in Western Europe over the past few years, in the Chase Manhattan Bank's bi-monthly report, *World Business*, September 1967, pp. 5-7.

7. April 8, 1967, p. 124. This survey, and the Mayer article in *Fortune*, provide good summaries of the European economic situation. See also these *New York Times* items: "Economic Growth Lagging in Europe," March 24, 1967; R. E. Mooney, "European Economy Is in Flux," April 2, 1967 (Section 4); B. Jones, "Western Europe Doubts an Upturn Will Develop Quickly," July 10, 1967.

8. On this and the preceding point, see C. P. Kindleberger, *Europe's Postwar Growth: The Role of Labor Supply* (Cambridge, Mass., 1967); E. F. Denison, "Sources of Postwar Growth in Nine Western Countries," *American Economic Review*, May 1967, and *Why Growth Rates Differ* (Washington, 1967).

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GERMANY'S REAL ECONOMIC MIRACLE

BY LYNN TURGEON

During the 50's and the first half of the 60's, it was both possible and proper to speak of the "economic miracle" which had occurred in Western Europe, particularly in the Federal Republic of Germany (FRG). Between 1950 and 1958 the West German Gross National Product rose at an annual rate of 7.6 percent; in the following eight years, the annual growth rate fell off slightly to 5.8 percent. Nevertheless, with the exception of Japan, the FRG had succeeded in achieving the most rapid growth rate in the non-Communist world—one which more or less matched that of the USSR.

In the second half of the 60's, however, there has been a dramatic change in the West European economic picture. According to the *Wall Street Journal* (November 21, 1967), only in Italy and, to a lesser extent, in Spain are there any signs of economic buoyancy in 1967. In West Germany, the German Federation of Industries has termed the economic situation "still critical" and sees no clear signs of a pickup. Although the FRG has been hardest hit by the current recession, the effects are also felt in all countries which depend heavily upon the German market for their prosperity. Since total West German imports are down 3 percent from their 1966 level, such countries as France, Britain, Belgium, and Holland have also been feeling the depressing effects of West German stagnation.

During the first 8 months of 1967, West German truck output dropped 28.4 percent; auto production was down 26.7 percent; machine tool output 15.9 percent; TV set production 23.1 percent; and coal production—which has been depressed throughout the 60's—declined by an additional 10.5 percent. West German plants on the average are now working at about

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This is the text of a talk before the American Society for the Study of the German Democratic Republic at the Church Center for the United Nations, December 1, 1967. The author is a professor of economics at Hofstra University.

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75 to 80 percent of their rated capacity, and it is estimated that GNP in 1967 will decline by 1.7 percent from the already depressed 1966 level.

Incidentally, the same underlying deflationary forces have shown up in the United States, although in a milder form due to the stimulating effects of the escalation of military expenditures in Vietnam. As a result, plants in the United States are still operating at about 81 to 83 percent of their rated capacity, and our GNP—in contrast to that of the FRG—has been growing in real terms by something less than 3 percent in 1967. In addition, output per worker—despite the investment binge of 1965-1966—increased by only 1 percent, in contrast to the 3.8 percent annual increase of the previous five-year period. Sluggish labor productivity has been a tell-tale characteristic of recessions in contemporary capitalist history.

Two things seem crystal clear: the United States mini-recession is being experienced in an exaggerated form in Western Europe, and the non-Communist world is facing its most serious economic difficulties since the Second World War.

Whereas the crisis has been disguised to some extent in the United States by increased military expenditures, the FRG is saddled with a postwar constitution which, in effect, prohibits any significant deficit spending that might be prescribed by the Keynesian "new economics." As government revenues fall—resulting from the increasing unemployment of West German capital and labor and the ensuing evaporation of potential sources of tax receipts—the FRG has been forced to trim government expenditures proportionately.

Thus we see the bizarre spectacle of the supposedly militaristic West German government threatening to pare its defense budget, much to the consternation of Washington. Clearly Edwin Dale of the *New York Times* is skating on thin ice when he speaks hopefully of the West Germans passing their Keynesian economic tests in 1967. ("Three Reasons For Prosperity," *New York Times Magazine*, November 5, 1967, p. 60.) As any Keynesian worth his salt should realize, increased defense expenditures are required in such a situation. No wonder that the United States Department of Defense has been energetically

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urging the West Germans to buy over 200 Phantom jet fighter bombers for more than a year. (*New York Times*, November 25, 1967.)

As might be expected, the West German economic difficulties are mirrored in political unrest. Although the rise of the radical right has received most of the attention thus far, there are also more important signs of political dissatisfaction among FRG policy-makers and demands for a re-evaluation of West German international relations. These demands for change are clearly documented in Eleanor Dulles' new book, *Berlin: The Wall Is Not Forever*. Mrs. Dulles, the sister of both our late Secretary of State and of our former CIA head, is perhaps the closest thing we have to a Germanologist.* During the period 1952-1961, in connection with her work for the State Department, she made 27 trips to the FRG and Berlin, including 30 entrances into the former capital. She counts among her friends and acquaintances the cream of the West German establishment; and, not surprisingly, the foreword to her book is written by the late Chancellor Konrad Adenauer.

West Berlin, which has been subsidized by the FRG to the tune of almost $10 billion since 1951, suffered economically both earlier and to a greater extent than did the FRG itself. In the absence of the politically dictated subsidies, it seems clear that the West Berlin economy is not really viable without greater economic integration into the surrounding territory of the German Democratic Republic (GDR). This lack of economic opportunity is recognized by ambitious young West Berliners, who migrate in droves to the FRG in search of greater economic opportunities, and thereby leave a potentially dying city of elderly citizens. Were it not for the erection of the Wall—West Berlin's principal tourist attraction—the economic situation in this "outpost of democracy" would no doubt be even more serious than it already is.

In Mrs. Dulles' introductory words: "New conditions, new people, new problems confronted the city of Berlin. I was not sure that there was a wide realization of how much the situation

* Although Eleanor Lansing Dulles was married briefly to David Blondheim in 1932-1934, she is usually referred to as "Mrs. Dulles."

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in 1965 differed from that in 1960 and earlier years. I went to Berlin in the summer of 1965, with some time in Bonn to get perspective from that angle. I had appointments from early morning until after midnight; talking with people singly, in little meetings of several persons, listening to debates between the students and among the experts over a number of current questions. Convinced that I had obtained a clear picture of present-day Berlin, I have sketched the outline in low relief. . . ." (p. 21)

Mrs. Dulles reports that she had "never found preoccupation with reunification so marked nor the clamor so loud as it was at the time of my visit to Berlin in 1965." (p. 81) Emphasis was then being placed on *kleine schritte*, or "little steps" and contacts—on action now and not in the indefinite future. In particular, according to West Germans cited by Mrs. Dulles, "the students of Berlin are restless. They want to break through the barriers, extend the field of their experience, travel in the East, explore the ideas and know the theories of the Communists." (p. 84) There is a growing awareness on the part of the West German leaders that "conditions in the [Eastern] Zone are changing and that time may be working against present Western policy." Mrs. Dulles warns that "changes to come will be controversial and perhaps shocking to the friends of Germany." (p. 86)

At the same time, "there is no intention in the East Zone regime of yielding anything that will bring the two parts of a divided nation together." (p. 83) The most hopeful alternative to the present situation would seem to be the viewpoint held by what Mrs. Dulles refers to as a "significant segment of intellectuals." (p. 100) According to this position, at some stage in the negotiations for reunification there must be a recognition of the GDR. Thus, measures taken now which seem to move in that direction should not be feared. They assert that if the living standard of the GDR is raised, if the Pankow regime feels security rather than hostility, if the people have many and varied contacts, then there can be a confederation that will be equivalent to reunification in which the two Germanies can become integrated. The growing independence from Moscow of the socialist regimes in Hungary, Rumania, Poland, and else-

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where is cited as supporting such a possible development. This position also seems to be similar to what General de Gaulle has in mind as a solution to the "German problem."

Young people in West Berlin are aware of the fact that the changes in the GDR since the 1953 uprising have been substantial. The changes since the erection of the Wall are even more notable, as Welles Hangen has made clear in his book, *The Muted Revolution*. The West Berliners are convinced that there are beginnings of a national pride in the GDR, which at times competes with the German loyalty to the Fatherland. According to Dr. Kurt Leopold, who was for many years the West German negotiator of interzonal trade agreements, the East Germans are developing a new "GDR consciousness" leading to a sense of permanent separation from the FRG. (p. 115)

In 1965, for the first time, there was a consensus that the East Zone population would not rise in revolt against the Ulbricht regime in the event that the Soviet armed forces were removed from the "occupied zone." Unlike the answers received when Mrs. Dulles posed the same question in former years, the West German authorities felt that the possibility of any significant demonstration against the regime was remote. In her words: "The stability that has been much talked about is not entirely an illusion." (p. 117)

What accounts for this growing satisfaction of the East Germans with their existing economic institutions and their distinct lack of interest in reunification? How does one account for what Mrs. Dulles refers to as the "disturbing" return of several thousand former refugees to the GDR?

Any explanation of these phenomena must recognize at the outset the tremendous handicaps under which the East German government has been laboring since the war. In addition to starting off on the basis of the less developed sector of prewar Germany, the occupation forces pursued a diametrically opposite reparations policy in their respective zones. While the Soviets were determined to obtain reparations for all of the damage inflicted by Hitler's armed forces in the Ukraine, the Western occupation authorities apparently learned their lessons from the disastrous post-First World War experience. Instead of demand-

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ing serious reparations, they were soon actively assisting in the creation of the West German miracle via the Marshall Plan. West German sources estimate that about 25 percent of East German output before 1953 was being siphoned off to the Soviet Union. As a result, total reparations are estimated at almost $18 billion, or about 200 times what was extracted by the allies from West Germany.

Although the 1953 workers' uprising forced the Soviets to revise their policy of extracting reparations, the GDR economy was still beset by a significant, steady "brain drain." Many young, technically trained persons were obtaining their free education in the East and then leaving to work in the West where the salary differentials were greater and exceptional talent was more highly rewarded. According to an estimate cited by Mrs. Dulles, the total loss to the GDR from this source has been valued at in the neighborhood of $8 billion, representing "3 million useful persons."

Following the construction of the Wall, this tremendous burden has of course been lifted. In addition, the GDR has pioneered in the introduction of her "New Economic Reforms" since 1963. These reforms have given managers more decision-making authority, and put a greater stress on quality rather than quantity, than was previously the case. Although the Communist Party exercises firm control, according to Mrs. Dulles, it "does not demand either membership in [the Party], nor sympathy with, Communist aims as a requirement for a high position." (p. 110) Or, as the Hungarians have put it, "he who is not against us is with us."

Despite the above-mentioned handicaps, according to official UN figures, overall production rose faster in the East than it has in the West between 1938 and 1966. Although Professor Karl Thalheim states that the conclusion that production in the East has risen *faster* than it has in the West is "in the highest degree improbable," it does seem likely that the increases may have been of roughly the same order of magnitude. In common with other socialist countries, however, there has been a greater emphasis placed on the development of heavy industry, and necessarily so, in view of the lower level of industrialization inherited from the previous regime.

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Although the Eastern level of living is perhaps comparable to that already enjoyed in the FRG a decade earlier, it now appears that the remaining gap is closing rapidly, particularly in view of the stagnation in the West and the continued rapid and more balanced growth in the GDR. In contrast to the FRG, whence foreign workers are being sent home to Italy, Spain, and Yugoslavia now that their services are no longer needed, the GDR is still suffering from a tremendous labor shortage and is importing workers from her socialist neighbors, especially from Hungary and Poland.

It is generally conceded that the GDR has been investing more heavily in the education of her citizens. Estimates by Western educational specialists indicate that the GDR is spending about 50 percent more per capita on education than is the case in West Germany. According to Mrs. Dulles, the "East German Communists have been engaging in advertising campaigns to show the virtues of higher education and to encourage children of peasants to take advantage of educational opportunities offered by the regime." (p. 175) She adds: "No such concerted effort has been made in West Germany or West Berlin." Instead there is a "limiting of higher education in West Germany and West Berlin largely to children of public servants and to those in certain social groups striving to be accepted in the middle classes." Whereas West German industry has put pressure on her educators not to extend educational opportunities beyond the ninth year of school, in the East a minimum of 10 years of education is required, and it is reported by Mrs. Dulles that one half of those educated through the tenth year go on to higher education.

Generally speaking, one can also appreciate the quiet, methodical socialization of the country, in contrast to the "storming" campaigns conducted by other socialist countries. The collectivization of agriculture, for example, did not really get into high gear until the 60's. In contrast to the initial impact of collectivization in most of the other socialist countries, increases in agricultural output in the GDR have probably accelerated in the 60's. Thus, gross agricultural output has increased by more than 60 percent since 1962. By 1965, grain output per hectare surpassed that of the FRG for the first time.

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Neither are the East Germans in a great hurry to socialize completely their industrial or retail trade sectors. There is still a considerable private sector accounting for roughly 10 percent of total industrial production, and containing some plants employing as many as 1,000 persons. In some cases, government investment funds are assigned to the private sector, especially if potential export products capable of earning foreign exchange are involved.

Although there is a general recognition in the non-capitalist world of the comparative affluence developing in the GDR, in the West until recently this relative prosperity has either been unnoticed, ignored, or hidden. The average Western tourist is immediately struck by the lack of automobile traffic in East Berlin, although, as Mrs. Dulles indicates, he may also find "the sparse traffic restful and the streets clean as compared with the hurlyburly of busy thoroughfares in West Berlin." (p. 125) Nevertheless, I am afraid that most Westerners still tend to judge levels of living by the frequency of traffic jams.

Thus, it may come as a surprise to find that the GDR has already surpassed the FRG in the per capita production of TV sets, electric power, chemical pharmaceuticals, butter, and binoculars. Furthermore, infant mortality and life expectancy—certainly the most important indicators of economic well-being—are more or less on a par with those in the FRG.

Because of this comparative well-being, the GDR is expected to shoulder a considerable foreign aid burden, both within the socialist countries and in the neutralist Third World. According to official government figures (which are not generally made available to the GDR public), their aid programs amount to 0.9 percent of their domestic product, or a higher percentage than those maintained by either the FRG or the United States.

Until quite recently it was possible to point to the contrasts between West and East Germany as proof of the superiority of the capitalist system. Now, for the first time, it is beginning to look as if the shoe might eventually be on the other foot. After the Russian Revolution, Lenin and Trotsky—in line with Marx's prediction—never dreamed that it would be possible to establish socialism in their own relatively underdeveloped

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country, and thus they looked in vain for assistance from the more developed German base. It is true that the road to socialism has been much more difficult during the past half century as the result of the failure of these earlier Marxist dreams and predictions. But if all three gentlemen were alive today, they would no doubt be favorably impressed with what they found taking place in at least a portion of Germany.

ORTHODOX ECONOMIC THEORY AND CAPITALIST IDEOLOGY

BY E. K. HUNT

Many socialists see the development of orthodox economic theory in the capitalist world of the last 150 years as the unfolding of an increasingly intricately worked out ideological exercise. By introducing complicated models of mathematical reasoning, orthodox economists have made it difficult if not impossible for all but the professional economist to follow the tortuous paths by which they arrive at the conclusions which buttress the pillars of capitalist ideology.

This ideology is essentially an elaborate working out of Adam Smith's "invisible hand" argument. It attempts to show that inherent in the capitalist economic system are forces which, if nurtured properly, will tend to create an ideal society. The basis of this ideology is the belief that a capitalist price-market system represents the most efficient method by which society can allocate its scarce resources among "unlimited competing wants."

The author, who has just completed his Ph.D. thesis, is Assistant Professor of Economics at the University of Calgary, Alberta, Canada.

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Most college textbooks in micro-economic theory begin by describing an economic system in which: (1) market choices by consumers are determined by a coherent subjective preference ordering; (2) the decisions concerning what commodity mix to produce and how to produce it are governed solely by the desire of producers to maximize profits; and (3) buyers and sellers are pitted against each other in a market which is so large that no individual buyer or seller can, through his own purchases or sales, affect the market price.

Then, from certain axioms about the nature of consumer preference orderings and the technical relationships between inputs and outputs, a consistent line of deductive reasoning leads to the conclusion that an economic system of this description will allocate its resources in such a way that any possible change in production, distribution, or consumption that could possibly make one person better off (leave him in a preferred position) could only be brought about by making someone else worse off (leave him in a less preferred position). In short, resources would be efficiently allocated so that, given existing tastes and the existing income distribution, it would be impossible to augment the aggregate value of production through a reallocation.

It is then argued that scientific objectivity prohibits the economist from making a normative choice between two situations which involve the bettering of one person or class of persons at the expense of another person or class of persons. Hence, the conclusion is reached that the criterion of "economic efficiency" is scientific, whereas the criterion of "equity" is not. The competitive capitalist economy is shown most perfectly to satisfy the criterion of "economic efficiency."[1]* Therefore, no other system can, on "objective and scientific" grounds alone, be shown to represent an improvement over this capitalist price-market system. By extension, this doctrine becomes a claim that laissez-faire capitalism represents the best of all possible worlds.

To be sure, some flaws in the system are acknowledged. The principal admitted weaknesses are: (1) Some buyers and sellers *are* large enough to affect prices and, moreover, the economies of large-scale production seem to render this in-

* Footnotes will be found at the end of the article.

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evitable. (2) Some commodities are "consumed socially" and their production and sale would never be profitable in a laissez-faire capitalist economy even though they may be deemed highly desirable by most citizens within the economy (e.g., roads, schools, armies, etc.). (3) The costs to the producer of a commodity may differ significantly from the social costs of producing that commodity, so that it is possible that for society as a whole the costs of production exceed the benefits of production for the commodity even though the producer still profits from making and selling it (e.g., the poisoning of the water and air by producers making profits but doing little or nothing about this evil side effect which could eventually endanger human life itself). And (4) an unrestrained price-market system appears to be inherently unstable and is subject to recurring depressions that incur enormous social costs.

The principle differences separating "liberal" economists from "conservative" economists stem from an inability to agree on the extent and significance of these flaws. It is generally agreed that to the degree that the flaws do exist and do disrupt the otherwise beneficial workings of the capitalist system, they can only be corrected by government intervention into the market system.

It is argued that government anti-trust actions can force firms to act *as if* they were competitive, and something called "workable competition" can be achieved. Roads, schools, armies and other socially "consumed" commodities can be provided by the government. Extensive systems of taxes and subsidies can be used to equate private and social costs where they differ. Finally, through the wise use of fiscal and monetary policy the government can eliminate the instability of the system.

The flaws are thus seen as minor and ephemeral. An enlightened government can correct them and free the "invisible hand" once again to create the best of all possible worlds.

This, as I view it, represents a fair précis of orthodox economic ideology. I do not propose to argue here with either its assumptions or the reasoning by which the conclusions are reached. Rather, I wish to show how the rigorous working out of all the implications of this theory has led to a fruitless dead-end. One can argue that the ideology, when pushed to the logical

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extremes inherent in it, contains the seeds of its own intellectual destruction.

One of the most devastating intellectual attacks came from J. DeV. Graaff's tightly reasoned book, *Theoretical Welfare Economics*.[2] Graaff showed that economists had not really appreciated the long and restrictive list of assumptions necessary for the optimally efficient allocation of resources envisioned in the model of a competitive, free-market capitalism to be realized. He lists seventeen such assumptions which he has shown to be necessary.[3] Many of them are so restrictive that one must agree with Graaff that "the measure of acceptance . . . [this theory] has won among professional economists would be astonishing were not its pedigree so long and respectable."[4] A few of Graaff's seventeen conditions will suffice to illustrate the point. The theory requires (1) that any individual's welfare is identical with his preference ordering, i.e., that children, dope addicts, fiends, criminals, and lunatics, as well as all other persons, always prefer that which is best for them; (2) that neither risk nor uncertainty is ever present; (3) that productivity is totally unaffected by the existing distribution of wealth; and (4) that all capital goods as well as consumer goods are infinitely divisible. These represent but four of Graaff's seventeen restrictive conditions which must obtain before the price-market system can achieve "optimal economic efficiency."

In the light of this, it is obvious that perfect competition could never be anything more than a normative model toward which government policies might attempt to move a capitalist economy. The goal could not possibly ever be achieved.

The next important piece of iconoclastic literature, well known to professional economists, is "the general theory of the second best."[5] In the words of the eminent economist, William J. Baumol:

> In brief, this theorem [of the second best] states, on the basis of a mathematical argument, that in a concrete situation characterized by *any* deviation from "perfect" optimality, partial policy measures which eliminate only some of the departures from the optimal arrangement may well result in a net decrease in social welfare.[6]

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This important argument shows that, judged by the criterion furnished by the economic ideologists themselves, anti-trust actions or any other attempts by the government to bring about "workable competition" may result in effects diametrically opposed to those envisioned by the authors of these policies.

Further work by Buchanan and Kafoglis[7] and Baumol[8] has shown that the rather naive faith held by many economists that a system of taxes and subsidies could nullify the adverse effects encountered when private costs differ from social costs was based on an oversimplified view. Baumol showed that once again policies based on traditional arguments may actually diminish rather than augment social welfare (again using the orthodox economist's criterion of welfare).

In addition, concerning the stability of the system, Friedman[9] and Baumol[10] have shown that even if it were practically possible for monetary and fiscal authorities to use their powers in the manner prescribed in textbooks (and this is a big "if") and if they were helped by a system of "automatic stabilizers," the problem of instability would probably still be insuperable.

Finally, Arrow has shown that if we adopt consumer sovereignty as a fundamental normative criterion and simultaneously deny interpersonal comparisons of relative well-being (two of the basic tenets of orthodox economic ideology), then any coherent program of government action must be imposed from above. No type of democratic voting under these two basic assumptions can be shown to yield a consistently ordered set of alternatives with which to guide government policies.[11]

The significance of these recent developments in economic theory lies in the fact that each of these theoreticians has been in the mainstream of orthodox economics. Economic ideology as refined and systematized in the rarefied atmosphere of the professional academic economist has ended by destroying its own foundations.

Significantly, if one can judge by the best-selling textbooks in economics, at both the beginning and advanced undergraduate levels, a student who graduates from a North American or European university with a bachelor's degree in economics has probably never encountered these iconoclastic exercises which

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rigorously work out the full implications of orthodox economic theory.

FOOTNOTES

1. Although Lange and Taylor have shown that an economy in which the means of production are collectively owned and for which the same assumptions are made will also result in a state of "optimal economic efficiency." Oscar Lange and Fred M. Taylor, *On the Economic Theory of Socialism* (New York: McGraw-Hill, 1964).

2. J. DeV. Graaff, *Theoretical Welfare Economics* (Cambridge: The Cambridge University Press, 1957).

3. *Ibid.*, pp. 142-154.

4. *Ibid.*, p. 142.

5. For the definitive formulation of this theory see R. G. Lipsey and Kelvin Lancaster, "The General Theory of Second Best," *The Review of Economic Studies,* Vol. XXIV, 1956-57, Nos. 63, 64, 65.

6. William J. Baumol, "Informed Judgment, Rigorous Theory and Public Policy," *Southern Economic Journal,* Vol. XXXII, October 1965, p. 138.

7. James M. Buchanan and Milton Z. Kafoglis, "A Note on Public Goods Supply," *American Economic Review,* June 1963.

8. William A. Baumol, "External Economies and Second-Order Optimality Conditions," *American Economic Review,* June 1964.

9. Milton Friedman, "The Effects of a Full Employment Policy on Economic Stability: A Formal Analysis," *Essays in Positive Economics* (Chicago: University of Chicago Press, 1953).

10. William J. Baumol, "Pitfalls in Counter-Cyclical Policies: Some Tools and Results," *The Review of Economics and Statistics,* February 1961.

11. Kenneth J. Arrow, *Social Choice and Individual Values* (New York: John Wiley & Sons, 1963).

MR PRESS *announces publication, in cloth, of*

Fifty Years of Soviet Power

edited by Leo Huberman and Paul Sweezy

This is a collection of ten essays which appeared originally in the November 1967 issue of MONTHLY REVIEW.

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WORLD EVENTS

By Scott Nearing

U.S.A.—Guity or Not Guilty?

The time: Thursday, November 9, 1967, 6 p.m.

The place: Main Auditorium, Fulham Town Hall, London.

The occasion: A public trial of United States policies and practices in Vietnam, during a five hour Teach-In arranged by the Fulham and Hammersmith Council and the Kensington and Chelsea Council for Peace in Vietnam. The multigraphed program was set up in eight periods, with two speakers in each period: one speaker for the Americans and their policies and one against them.

The first pair of speakers was, for the Americans, the Chairman of the London University Conservative Association; against the Americans, a London physician who had recently returned from Vietnam where he had acted as medical adviser to a commission of the International Association of Democratic Lawyers.

The Chairman of the London University Conservative Association lived up to the principles of his organization. He was cautiously conservative, repeating and supporting the State Department's defense of Vietnam policy. He branded the Liberation Front as Communist and warned against the danger that if the Liberation Front triumphed in South Vietnam it would join with the North Vietnamese government in a crusade to make Asia and the whole world Communist. The United States and its allies in the Vietnam war were defending freedom and democracy everywhere, he declared. They deserved the backing of all right-minded Britons.

The physician who had visited North Vietnam reported on the bombing in Hanoi and elsewhere, laying emphasis on the systematic destruction of the chain of hospitals that the North Vietnamese government had constructed across the country. He reported that the bombing was extensive and terribly destructive and that its chief victims were those left at home during the fighting: children, women, and old people. In the

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name of humanity, the doctor denounced the war as a crime against unarmed and innocent civilians and urged that it be stopped immediately and that aid be dispatched to the victims of this international outrage.

During the exchange, which lasted for an hour, the audience, numbering around a hundred at the outset and over two hundred by seven o'clock, warmed up. Under the rules of the Teach-In, questions were permitted from the floor only at the end of each pair of speeches. Efforts to allow statements of fact from members of the audience were briskly overruled by the chairman. Disgruntled auditors shouted their objections to the first speaker's talk. The chair had some trouble keeping order.

At 7 o'clock the second period began. For the Americans, and speaking first, was a representative of the Conservative Party's Central Office. Opposed was a Labour MP who was also a member of the local Borough Council. They hammered away at much the same points as those made by the previous speakers. The same vociferous objections were made from the audience to the pro-American speaker.

At 7:45, in the third period, a Labour MP spoke for the United States. He was opposed and answered by the most vigorous and impressive speaker of the evening, the Secretary General of the Draughtsman and Allied Technicians Union and a former Chairman of the Union for Democratic Control. Mincing no words in a decisive and powerful speech, the General Secretary denounced the Vietnam war as outrageous aggression and as a crime against humanity and demanded that the United States "get out of Vietnam forthwith."

During these two periods the audience was tumultuous. Questioners denounced the Americans as warmongers, despite admonitions from the chair that they confine their remarks to questions. They cried "Shame" at the Labour MP for defending the United States government and roared their approval of the demand that American armed forces be withdrawn from Vietnam.

The fourth round was an address from the South Vietnamese Ambassador to Britain and was to have been followed by a representative from the National Liberation Front. The Ambassador got a politely impatient hearing from the audience.

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He was diplomatically mild and vague. The NLF spokesman was refused entry into Great Britain and consequently did not appear.

At 8:30, the prime time of the Teach-In, the Vicar and Rural Dean of Kensington spoke for the Americans, while a representative of the International Department of the British Council of Churches spoke against. The audience, now grown to its maximum of about four hundred, had restrained itself with obvious difficulty during the speech of the South Vietnamese Minister. When the Vicar, a big, pompous man in church collar and suit, began his suave defense of United States policies in Vietnam with a smiling facetious remark which would have been in order at a public dinner, he was interrupted sharply by a stern voice from the audience: "Cut out the comedy. Get down to business." The smile left the Vicar's face; he turned to his defense, which became more and more hesitant and apologetic. He said: "I too am against war. After all, could anything be worse than war?" "Yes," shouted a stentorian voice from the audience. "Religion is worse, far worse than war." The sally won a tumult of approval from the audience.

The spokesman for the British Council of Churches shifted the balance by a forthright attack on war in general and the Vietnam war in particular. He ended his address by a spirited demand for the immediate withdrawal of the American and all foreign troops from Vietnam in conformity with the Geneva Agreements of 1954.

Following the collection, made for civilian victims of United States aggression in Vietnam, two young Americans spoke. The first, an American film producer living in Britain, was booed by the audience for lamely defending the Washington government. The other, a draft card burner at the United States Embassy October 16th, was well received by the audience.

Certainly the audience was highly selected, drawn by the anti-American and anti-war implications of the subject matter. The chairman tried to remain neutral, but members of the audience grew more determined and more outspoken as the evening proceeded. Unquestionably the feeling of the meeting was anti-war. Without question they believed that the United States was guilty as an aggressor in Vietnam. Impressively and

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persistently they favored an end to bombing and the withdrawal of the United States and all foreign troops from Vietnam.

Students in Council

Our scene shifts from a vociferous, uproarious audience in a London Town Hall to a quiet sitting room in a sedate dormitory of Oxford University. It was a bleak mid-November Saturday. Twenty student representatives were gathered from Oxford, Cambridge, and other neighboring institutions. They were called together to consider peace-action possibilities in the existing international setting, with special emphasis on Vietnam. Three of the students were women.

All present registered names, addresses, and college affiliation. A brief thesis was presented which called attention to the wars in Vietnam and the Middle East, the dangerous unbalance between the have and the have-not nations, and the urgent need for a program of action in which students might play an active role.

Discussions centered around three points: student voice and vote in the direction of University affairs (not student self-government but student participation in the making of University policy and its implementation in the day-to-day life of the institution of which the student is an integral part); second, facilities for student participation, on campus and off campus, in the formulation and implementation of public policy, domestic and international; third and concretely, student action for peace, in Vietnam and elsewhere, including the setting up of a form of society that has a built-in apparatus capable of establishing and maintaining peace.

All points were gone into thoroughly, with every person present taking a serious and active part. At supper time the meeting was adjourned to the following morning (Sunday) at 10:30.

In the entire course of the discussion there was no sloganeering, no quotation of authority, no name calling, no bitterness. The young people were seeking a means of doing their duty and playing their part in the organization of a social environment that took full advantage of the current revolution in science and technology and expressed the unanimous desire of

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those present for justice, fair dealing, and the equalization of opportunity.

Only once was a false note struck. An apparent consensus had been reached: "We need one thousand competent young people who will dedicate themselves unreservedly to the attainment of the conscious improvement of society by society." The best dressed youth in the room interjected: "In that case the problem is simple. We must raise the necessary funds and hire the thousand dedicated men."

There was a momentary pause in the room; then other students spoke up. " 'Dedication' is not on sale in the public market." "You can hire hands and brains, but not loyalty." "Those who are dedicated and ready will volunteer their services." "You cannot buy loyalty to an ideal."

These answers were spoken quietly, some of them almost inaudibly. There was no direct criticism, no harsh word, no sarcasm, no raillery. The youth who had proposed to buy dedication for cash was quietly and conclusively answered. The discussion continued.

This assembly of representative left-of-center British students was moving tentatively and gradually, but it was moving, and moving leftward. If it was poor in numbers and in experience, it was rich in purpose and in determination.

Phasing Out the Coal Miners

Coal mining and coal exports have been two of the most important sectors of British economy. Coal mines provided the major fuel for the industrial revolution. Coal exports were a significant means of paying for the food and raw material imports which bulk so large in Britain's economy. The coal industry has provided many jobs and paid abundant profits. With dramatic suddenness this entire situation is being changed as coal mining, coal mines, and coal profits are being phased out of the British economy.

Early in November, 1967, newspaper headlines announced that the number of coal mine jobs would be halved by 1975 and cut back five sixths by 1980. The present coal labor force numbers 391,000. The 1980 labor force is estimated at 65,000.

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These are National Coal Board figures, published by a Labour government. Their publication unleashed anguished cries from the coal fields in England, Scotland, and Wales, most of which will be reduced to ghost areas within a decade.

Technologically the developments seem inevitable. In a brief period British industry has turned from coal to oil, gas, electricity, and atomic energy as sources of mechanical power. The coal was mostly British. Oil, which has so largely replaced coal, is almost entirely imported. In terms of domestic industry and international commerce and finance the change is upsetting Britain's economic balance.

Miners who lose their jobs can be retrained. Investors in the coal properties can move their funds into other fields. But the atrophy and virtual disappearance of the coal industry will mark one more decisive step in the downgrading of the British economy.

Yankee Menace to West Europe

Alarm is being expressed in West Europe at the frightening disproportion between the European economy and that of North America. Among the score of countries that are members of the Organization for Economic Cooperation and Development, eighteen are European. The others are Japan, Canada, and the United States. United States Gross National Product is over half of the total for all OECD countries combined. If only Europe and the United States are compared, the product of the United States is one and a half times that of all European OECD members combined.

With the United States absorption of the Canadian economy as a horrible example, Europeans fear that they may be gobbled up next. Recently the Standard Oil Company of California made arrangements to take over the Belgian Petrofina Oil Company. The Belgian Prime Minister is on record as opposing any such invasion of the Belgian economy by foreign interests. *The Guardian* of November 14 headlined a front page story on Prime Minister Harold Wilson's Guild Hall speech: "Seven Ways to Beat U.S. Grip on European Industry." Yankee capitalism is a sword of Damocles to European capitalists.

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translated by Mary Klopper

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Leaves in the Wind

by Gwyn Thomas

Maxwell Geismar ends his introduction to this novel by the noted Welsh writer with these words: "As fiction, as art, as a beautiful story, it is a remarkable achievement."

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Aden, Arabie

by Paul Nizan

introduction by Jean-Paul Sartre

translated by Joan Pinkham

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The Economic Transformation of Cuba

by Edward Boorstein

Boorstein, an American economist who worked for three and a half years in the top planning agencies of the Revolutionary Government, tells a direct and dramatic story of the takeover, the operation, and the problems of a nascent socialist economy.

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Love to Vietnam

by Edita Morris

This novel, already published in several European countries, is a story of love between two burn victims of American terror weapons, one of them a victim of Hiroshima, the other a napalmed Vietnamese girl.

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The Chinese Cultural Revolution

Selected Documents

edited by K. H. Fan

This collection of basic documents, going back to 1937, includes Mao's "On Contradiction," his talks at the Yenan Forum on literature and art, Lin Piao's "Long Live the Victory of People's War," the basic circulars and resolutions of the Chinese Communist Party dealing with cultural revolution, as well as Liu Shao-Chi's "How To Be A Good Communist" and other so-called "revisionist" texts.

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(Continued from inside front cover)

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How to Stay Out of the Army: A Guide to Your Rights Under the Draft Law, by Conrad Lynn. A lawyer whose extensive experience with draft cases goes back to the Second World War shares his professional knowledge and advice with all who oppose being used as world policemen.

Pillage of the Third World, by Pierre Jalée. A stunning exposé based on official—mostly United Nations—statistics by a veteran French economist.

The Economic Transformation of Cuba, by Edward Boorstein. An exciting first-hand account of the economics of the Cuban Revolution.

Fifty Years of Soviet Power, by the editors of MR and others. A hardcover version of the November issue of MR commemorating the 50th anniversary of the Russian Revolution. "Of all the special issues on the Russian anniversary," writes a social scientist, "none approaches yours."

The Chinese Cultural Revolution, a collection of basic texts selected and edited by K. H. Fan.

The last three titles are all novels reflecting the expansion of MR Press into new fields of publication:

Leaves in the Wind, by Gwyn Thomas. A novel about South Wales in the early days of the Industrial Revolution. "As fiction, as art, as a beautiful story," writes critic Maxwell Geismar, "it is a remarkable achievement."

Aden, Arabie, by Paul Nizan, with an introduction by Jean-Paul Sartre, translated by Joan Pinkham. A novel with a powerful appeal to the younger generation, by a French writer whose stature is only beginning to be fully recognized.

Love to Vietnam, by Edita Morris. A moving novel by the author of *The Flowers of Hiroshima.*

Cedric Belfrage, former editor of the *National Guardian* and author of MR Press book *The Man at the Door with the Gun,* is writing a chronicle of the post-Second World War inquisition in the United States and the personalities involved on both sides. He would be grateful to MR readers for factual data from their own experiences which would help to shed light on the conduct and effects of the inquisition in any of its tragic or comic aspects. His address is: Apdo. 630, Cuernavaca, Morelos, Mexico.

We have both signed the statement of support for Dr. Spock and the others indicted for counseling draft resistance, and we hope many MR readers will also sign. Information can be obtained from RESIST/SUPPORT-IN-ACTION, 324 West 4th Street, New York, N.Y. 10014. Funds are needed to carry on the work of resistance and can be sent to the same address.

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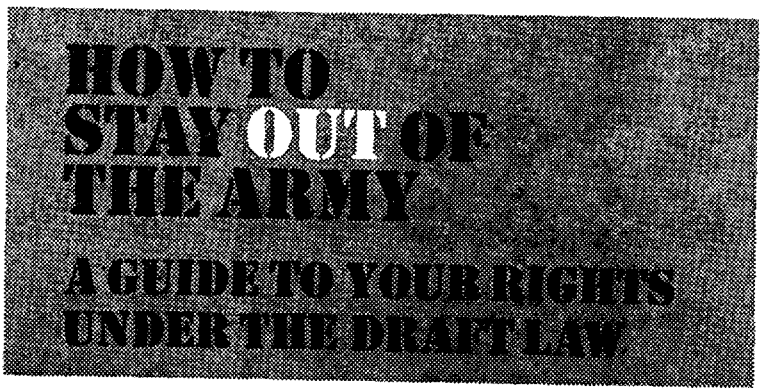

BY CONRAD J. LYNN

Conrad Lynn is one of the most experienced draft lawyers in the United States. He has specialized in draft cases since World War II.

His book is based upon two beliefs:

- **That it is every young man's patriotic duty to stay out of the army, in order to help save America from the greatest shame in its history.**
- **That every young man should have access to the same information used by the rich—who spend thousands of dollars on legal advice to get deferments and exemption.**

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